AFGHANISTAN

Refugees prepare to return home

World News

Moscow says London SE half troops have left **Afghanistan**

The Soviet Union said it had completed the withdrawal of half its 100,000 troops from Afghanistan, a day ahead of the deadline set in the Geneva Accords. The Afghan army is struggling to keep control of areas evacuated by Soviet

forces.

Rebel shelling killed 14 people in the towns of Gardez and Khost. Page 14

Gaza Strip curfew

Israeli troops wounded at least 12 demonstrators and imposed a curiew confining most of the 650,000 Palestinians in the Gaza Strip to their homes, as protests and a general strike marked the Islamic new year.

India border clash Indian border guards shot and killed 11 Pakistanis after they attempted to cross the land Kashmir state.

Solidarity clash Polish police clashed with supporters of Solidarity in Gdansk after ceremonies marking the anniversary of strikes which launched the now-outlawed

independent trade union. Uneasy Burma calm Barmese cities were reported to be calm after the stepping down of President Sein Lwin on Friday. Further anti-Gov-ernment protests may be delayed until after a new head

Beigrade's new bills Rapid inflation prompted 50,000 dinar (\$17.80) banknote. replacing 20,000 dinars as the largest denomination note.

of state is named on Friday.

Clashes In Egypt

Security clampdown, Page 2

Egyptian police detained 185 people in weekend clashes with Moslem militants in which five ole were killed and at le 20 injured.

Paraguay investiture Paraguayan President Alfredo Stroessner begins his eighth consecutive term in office today, having held unchal-lenged power for 34 years.

Palme haunts poli A Swedish public opinion poll uggests the ruling Social Democrats could lose next month's general election because of their handling of the hunt for the killer of Prime Minister Olof Palme. Page 2

n nagica

Manila hostages free Communist rebels freed five Philippine soldiers unharmed after holding them in a mountain hideout for 74 days.

Angola rebei claims Angola's Unita rebels said they killed 21 government troops and nine Cuban soldiers in of a ceasefire negotiated by the Angolan, South African and Cuban authorities.

Sudan flood relief King Fahd of Saudi Arabia donated \$8m from his personal funds to help flood victims in

Taipei 'no' to Peking Taiwan turned aside an indirect offer from Peking for talks on the formation of a coalition nment that would include Taipei's ruling Nationalist

Sudan. Aid appeal, Page 2

Contra border clash One rebel was killed and two others arrested when about 30 Contras clashed with Costa Rican national guardsmen near

Party. Page 3

the Nicaraguan border. Hassan backs poli King Hassan of Morocco, con-

idering new proposals to esolve the Western Sahara lispute, said that a UN-sponway to resolve the 12-year-old

Missing motors

A census of the 7,551 Uganda rovernment cars imported fince 1982 found that 5.074 vere stolen or written off and mly 1,963 of the other 2,477 vere still in working order.

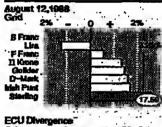
Business Summary

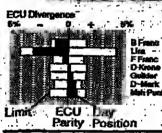
investigates new insider trading fears

LONDON Stock Exchange is investigating a new insider trading scandal following the dismissal of two employees at leading City merchant banks and the resignation of n third last Friday. The three employees are alleged to have passed on or used information about Mecca Leisure's £590m takeover bid for Pleasurama before it was announced on August 4. Page 14

ROLLS-ROYCE has disclosed that it owns the patents on the Hotol concept of n re-us-able air-breathing engine for space flight. Page 4

EUROPEAN Monetary System: The French franc was the sub-ject of attention last week, as it weakened against a gener-ally improving D-Mark. The French Finance Ministry did the franc no favours by claiming there was no need to change monetary policy, at a time when interest rates else-where were rising. The franc weakened within the EMS, while the D-Mark threatened to become the strongest member of the system.





The chart shows the two con-straints on European Monetary System rutes. The upper grid, based on the weakest currency in the system, defines the cross-rates from which no currency. (except the lira) may move more than 24 per cent. The lower chart gives each currency's divergence from the "central rate" against the European Cur-rency Unit (ECU), a basket of rean currencies.

AEROLINEAS Argentinas: president, Horacio Domingo-rena, condemned the Argentine Government's agreemen to sell 40 per cent of the state-owned carrier to Scandinavian Airlines System saying the arrangement "prostituted the principle of privatisation." Page 15

THIS WEEK: Figures published tomorrow are set to be the focus of attention in world financial markets this week and could determine the short-term course of the dollar. Financial markets will take note July's US industrial production figures due today.

HONG KONG: Association of Banks decided at the weekend to raise the local prime lending rate by half a percentage point to 9.5 per cent, effective today.

WALL STREET is bracing itself for further increases in interest rates, believing last week's discount rate increase will prove inadequate for the task of cooling down the US momy. Page 16

AMERICAN STORES has sold for \$305m the Florida division of Lucky Stores, two months after its \$2.5bn purchase of Lucky made it the largest US supermarket chain. Page 18

CANADIAN TIRE: Speculation is rising of a bid potentially worth C\$2bn (US\$1.63bn)for the diversified retailing group, opening a new chapter in the two-year-old contest for control. Page 18

MITSUBISHI Petrochemical, largest Japanese petrochemical group, reported that unconsolidated net earnings in first half of 1968 surged 138.7 per cent to Y9.168bn (\$40.2m), Page 18

PARMALAT food empire looks set for an important restructoring next month after long negotiations with Kraft, US foods manufacturer. Page 18

EUROPEAN VINYLS, joint venture between ENI, the Italian state energy group, and KI of the UK, is to buy three European PVC busine

No.30,616

Mandela's lung complaint improves in hospital

By Michael Holman, Africa Editor, in London

jailed leader of the African National Congress, who was admitted to hospital with a lung complaint on Friday night, "has shown a noticeable improvement", a doctor said yesterday.

Dr J.G. Stranss, the medical superintendent at Tygerberg Hospital, where Mr Mandela

has been treated since his

transfer from Cape Town's

VICE-PRESIDENT George

Bush is looking to the huge popular appeal of President Ronald Reagan, billed as the

star attraction at today's open-

star attraction at today's opening of the Republican national convention, to give his presidential campaign the sparkle it has so far lacked.

During four days of carefully choreographed events and speeches, Mr Bush, who still trails in the polls, will be endorsed as the Republican nomines to challenge Governor.

nominee to challenge Governor Michael Dukakis of Massachu-

setts in the November election.

be an emotional and festive occasion, Mr Reagan, 77, will deliver a last hurrah to more

than 3,000 delegates gathered in the giant Superdome foot-hall stadium, the site of the

Mr Bush's task is to con-vince sceptical delegates and a

watching American public that

Doubts remain about Mr

Bush'a ability to maintain the broad-based Reagan coalition,

which led to two Republican

landslide victories in 1980 and

1984. These doubts grew over the weekend when it became

he is a worthy successor to the

convention.

outgoing President.

Tonight, in what is certain to

MR NELSON MANDELA, the Pollsmoor prison, said that an examination of tissue from Mr.
Mandela's lungs showed no
evidence of malignancy, "only
a chronic inflammatory condition of the pleura (the lung lin-

ing)".
This condition could indicate tuberculosis, said another doc-tor. Mr Mandela was "without pain or discomfort," added Dr

Strauss.
Mrs Winnie Mandela visited

vital spark from

her husband for 40 minutes on Saturday. "Winnie was shocked ... but I don't know what shocked her," said the family lawyer, Mr Ismail Ayob. Hopes that the South African Government might release the 70-year-old Mr Mandels on compassionate grounds were

compassionate grounds were immediately dampened, how-ever, by Mr Pik Botha, the For-eign Minister. Speaking on Saturday in

already poor standing with

"Star Wars" anti-missile sys-tem, and a refusal to endorse the equal rights amendment for women or non-discrimina-

tion against AIDS victims.

Mr Bush had earlier called for specific language in the Republican platform because

he wanted to set out differ-

ences with the Democrats, who last month approved a very

on social issnes, where Mr Bush has sought to steer a middle course.

Other conservative planks

Vienna, where he had been holding talks with US, Soviet and British officials on the pos-sibility that Pretoria might sign the 1970 nuclear non-proliferation treaty, Mr Botha said he had yet to see the medical

reports.

But asked whether the Government would consider releasing the ANC leader on compassionate grounds, he replied:
"Should you release any person... with that background and that person is not prepared

Mr Mandela was jailed for life in 1964 on charges of sabotage and planning the over-throw of the white govern

His release could provoke killing, Mr Botha continued and if that led to a rearres "where does that take you?"

Bush campaign seeks Burma riots may continue despite Sein Lwin's exit Reagan's last hurrah

By Richard Gourlay in Bangkok

BURMESE protesters have called for more country-wide demonstrations if their demands for democracy to replace the one-party socialism of the past 26 years, are not

met.
But some of the demonstratora - largely atudents - seemed prepared to postpone further disturbances until next Friday when the executive committee of the Burma Socialist Programme Party (BSPP) is expected to choose a successor to U Sein Lwin as State President and Chairman of the party Chairman of the party.

general platform. This tactic may have backfired because it allowed conservatives leverage U Sein Lwin was forced to U Sem Lwm was forced to resign on Friday after more than five days of hloody clashes between protestors and the army in the capital, Rangoon, and other cities

It is thought that during the disturbances as many as 1,000 people may have been killed. conservative forces have also pressured Mr Bush on the selection of a running-mate. But, with the vast majority of delegates under their control, the Bush campaign is determined to remain independent.

Following his departure, ten-sion eased in Rangoon according to diplomats.

The Vice-President has a Protesters removed barriers short-list with the front run-ners believed to be Senator Robert Dole of Kansas, Senator and road blocks and bus services started to function again. Alan Simpson of Wyoming, Congressman Jack Kemp of However, troops remained on duty in downtown streets

on duty in downtown streets near government buildings and the city hall where the shoot-ing started a week ago.

As posters appearing on walls in Rangoon testify, feel-inga are still running extremely high and violence could easily recur before north could easily recur before next

The posters call for U Sein Lwin to be tried in court for his part in the hrutal suppression of riots and for general elections for multi-party democracy within six months. Other posters demand action against soldiers who opened fire on unarmed crowds at the

hospital in Rangoon, killing medical workers, and compensation for riot victims and the release of all political prison-

Behind these immediate demands lies a pervasive, if nnfocused desire for a new government to begin economic

Rice prices have risen hy 400 per cent this year, and the shortages and consequent hun-ger have been one of the main reasons behind the apparently spontaneous uprising.

At least one main faction of At least one main faction of protesters is known to be profoundly sceptical that U Sein Lwin's resignation will hring about a real change in the system of government and the coterie of ageing army officers who run it who run it.

This group has called for a resumption of demonstrations against the Government today, However, there is a distinct

lack of co-ordinated leadership among the protesters, and it remains to be seen whether the sceptics or those who are prepared to wait will prevail. According to diplomats, U

Sein Lwin's resignation leaves the system intact, public pres-sure is unlikely to ease before something is done to tackle soaring rice prices and food sbortages. Burmese exiles in Bangkok who are in touch with protes-tors in Rangoon go further.

They expect that another army man will be elected by the party as the new leader on August 19.

unacceptable to the protestors. They quoted state-controlled Radio Rangoon, which instead

of displaying contrition following the suppression of the riots last week, claimed students were apologising to monks for having demonstrated against the Government.

However, the Burmese exiles said this was unlikely to have happened and said the Government was using propaganda to try to defuse opposition.

Maxwell weighs anchor for the New World

By Andrew Hill in Corsica

SHOULD you be invited for lunch on Mr Robert Maxwell's yacht, remember to wear clean, undarned socks.

The 13-stroog crew of the Lady Ghislaine wears neat white deck shoes, but everyone else has to pad around in stockinged feet, including the 65-year-old chairman and chief executive of Maynell Communication. executive of Maxwell Communication Corporation, which late on Fridsy revealed the details of its \$2.35bn bid for Macmillan, the US publisher.

"I am on a mixture of holi-day and business," said Mr Maxwell the next day, reclining massively in the air-condi-tioned stateroom of the 55-metre cruiser, and opening a press conference which was unorthodox, even by Maxwell standards.

For one thing, he flew six journalists in an executive jet from Heathrow to Bastia. north-east Corsica, where the yacht - bought from the Khashoggi family by Marine and Aviation, a wholly-owned subsidiary of Mirror Group Newspapers – is moored.

Once oo board we added our names to the list in the visi-tors' hook, which included actor Michael Caioe and his wife Shakira, Frank and Bar-bara Sinatra and Mr Kirk Kerkorian, Hollywood financier.

The small talk was of babies, Mr Maxwell having just become a grandfather for the fifth time, in the same week that the Duchess of York added a princes to another dynasty. a princess to another dynasty.
Oo request, a courtier produced Saturday's Daily Mirror with its froot-page picture of the baby - York, that is, not Maxwell - and the assembled company paid homage to the colour reproduction.

Later as burch was proposed.

Later, as lunch was prepared on deck, we waited for the media haroo, who aims to make MCC one of the top 10 international information and communications companies, to explain the logic of his offer for Macmillan. Just switching the publisher's printing to MCC plants would generate another \$100m a year for the company. according to Mr Maxwell

"I also wanted to prove that the MCC board was perfectly capable of mounting such a bid n my absence," be added. This uncharacteristic self-ef-

facement was not entirely convincing. The Lady Ghislaine (named after Mr Maxwell's youngest daughter) is linked by fax, telephone and satellite to the rest of the Maxwell empire. Deck phones are pro-Continued on Page 14

cars at the disposal of soviet managers and officials should be cut by between 20 and 40 per cent. Some organisations THERE IS A bad situation in Krasnoyarsk. The trade promotion enterprise will not come in its ears. Its Volga, pride of the fleet, is used by its such as ministries, insti-

white collar workers for joy-riding. Its two Zhigulis are in The bread production plant is smarter. It has got its fleet off the books: but only hy

transferring the cars to its subsidiaries. This is not perestroika, Comrades. No, it is privilege digging in.
In February this year, the
Council of Ministers ordained
that the tens of thousands of

tutes, soviets - were given targets and told to fulfil them by July 1.

George Bush: Facing dilemma

clear that the Bush campaign

had caved in to conservative

activists on several key policy

The Republican Party plat-form includes a call for a con-

stitutional amendment to ban

abortion under any circum-stances, including rape or incest. This plank will hurt Mr

Bush's attempt to improve his

Soviet officials dig in to

preserve their privileges

over his running mate

Others, such as plants and agri-combines, were told that their cost would come out of the social fund, used to build flats, nurseries and clinics.

Yesterday the newspaper Socialist Industry published an investigation of how the company car was going. For the most part, the answer is: it

Krasnoyarsk is among the worst. Of its 500 official cars only 13 have found their way the commission shops which market them. Rostov is little better, it was

Continued on Page 14

Footprints in the sand, Page 12

supposed to lose 130 of its 407 chauffeur-driven perks, and has sold off only 22. The militia stepped in to unscrew the number plates from 57 cars, thus rendering them unlawful. In Moscow, matters are dif-ferent: the ministers can look out of the window and check on the diminishing ranks in the car parks.

FINANCIAL SERVICES regulators may be unable to prevent unauthorised overseas companies selling to UK inves-

Until this weakness in the regime is tackled, investment firms which fall to gain authorisation to operate in the UK will be able to sidestep the regulations by moving their operations out of the country. Vandersteen Associates, a

5,000 prospective UK clients. According to a Cork-based employee, Vandersteen's computer-based trading system "has been producing some incredible results" over the past five years. The Securities and Invest-ments Board, the UK's chief investment regulator, said: "If they are direct mailing people here, they are marketing in the Services Act.

UK, which is an authorisable activity. There's no doubt, in that case, that they are breaking the rules. The difficulty comes on the enforcement angle." The only sanction available to the SIB is to reprimand the firm publicly - an exercise of limited value.

The SIB is nearing mutual assistance agreements with regulators in four countries, and plans a further 38 similar bilateral treaties. But these are likely to be of use only if the firm concerned has broken the investment rules of its host nation, which are virtually cer-

UK firms refused authorisa-

The problem is not new. Barlow Clowes International, the offshore arm of the Barlow Clowes group, advertised in a UK national newspaper, even though it was not authorised by the Department of Trade

There is one bidden sanction

Irish test for UK regulations

futures and commodities firm based in Cork, Repoblic of Ireland, last week provided one of the first tests of the regulators' powers in this area when

tain to be less severe than the UK's all-embracing Financial

tion to carry on investment business are likely to move their operations abroad.

and Industry to carry on busi-ness in the UK.

against firms operating outside the scope of the Financial Ser-vices Act: any contracts they enter into will be unenforces-

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THE MONDAY INTERVIEW



World Guide

John Hume, leader of Northern ireland's Social Democratic and Labour party, is more optimistic than ever about the province'e future, in spite of an Increase in sectarian violence in the past few months Page 30

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Thalland: Nurturing a unique mix of growth and democracy agement: Crosfield's graphic example of an organisational balancing act . Editorial comments Trade fog over the Atlantic; British Gas: Republican conventions George Bush strives

to leave a footprint in the sand ... West Germany: A consensus in search of a Lex: Europe'e slow man picks up speed: 14 The Business Columns Stoking up the debate

on international brands . -Wall Street Lombard . -London , US bonds Monday Page UK Gilts . Money Markets Unit Trusts 13 Observer



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Peter Ungphakorn, in Bangkok, reports on the appointment of a new cabinet

Government represents a painful dilemma for both Thais and foreigners who have argued that one of the country's strengths has been its

With one of the fastest eco-nomic growth rates in the world, expected expected to be up to 9 per cent this year, Thailand compares favourably with the newly industrialising countries (NICs) or aspiring NICs among its neighbours, such as the Philippines, Indonesia, Mal-

aysia and even Singapore. Explanations for the economic resilience have usually included reference to Thaiincluded reference to That-land's recently opened-up polit-ical system that includes one of the freest presses in Asia, and the tight rein on spending that has kept Thailand away from serious debt problems. The question now being asked is whether Gen Prem

Tinsulanonda, the 68-year-old former Prime Minister, was able to hold the economy and the Government together for eight years precisely because of the least democratic aspects of his Government; his success may have been based on the ability to appoint non-elected finance ministers and shield them from voters' demands for

more spending.

There are also fears that corruption and cronyism, always present hut latterly somewhat restrained, could get out of hand. Worries are tempered by the strength of the economy, the Government's healthy financial position and the hope that the new cabinet will appreciate its new responsibil-

Gen Prem was installed in 1980 almost two years hefore he retired as army commander and has remained in office without even standing for elec-tion. He was able to do that because the military inspired constitution allows cabinet

Swedish

ground

in Stockholm

By Robert Taylor

party loses

SWEDEN'S ruling Social

Democrats are in danger of los-

ing next month's general elec-

tion because many of their sup-porters are distillusioned by a

scandal over the Olof Palme

murder inquiry, according to an opinion poll.

According to the survey, 15 per cent of those who voted for

the party three years ago will

not support it on September 18,

in protest at the Government's

handling of the "Ebbe Carlsson affair", a freelance inquiry

sanctioned by ministers into the murder of Mr Palme, the

Prime Minister, in 1986. The survey, conducted by

the independent SIFO poll organisation, was published yesterday in the country's lead-

ing newspaper, Dagens Nyheter. If these former Social Demo-

cratic voters carry out their

voting intentions, the party

will remain the biggest in Par-liament but will find it almost

impossible to form a Govern-

Swedish politics have been evenly balanced between the

ment with a stable majority.



(left) replaced as Prime Minister by Chatichai Choonhavan

members to be appointed from outside parliament. Gen Prem put his appointees in the key ministries handling security and economic policy: defence, interior and finance

Now, for the first time in 12 years, the new 66-year-old Prime Minister, Maj Gen Chati-chai Choonhavan, and all but one of his colleague – the Gov-ernment's legal expert – are elected MPs. Paradoxically, this seems to be the problem. Gen Prem's reputation for prothe greed of his cabinet col-leagues, but it also provided a contrast between the cleaner image of his appointees and the scandal-prone MP-minis-ters many of whom are back in

the new cabinet.

Mr Banharn Silapa-Archa,
Secretary General of Gen Chatichai's Chat Thai party is now
industry minister, with a key
role to play in energy and large projects sncb as the petro-chemicals complex being built on the eastern seaboard. Even though Chat Thai is usually described as business-oriented.

some sections of the business community are uneasy about

In the last cabinet Mr Banharn was communications ster and involved in disputes over scrapped contracts with Van Hool, the Belgian bus manufacturer, and Bouygues, the French construction com-pany, his ministry also awarded to a leading party fig-ure a crame monopoly at the port of Bangkok that threatened severe disruption to the flow of trade.

His replacement is Mr Montree Pongpanit, secretary gen-eral of the Social Action Party, the second largest after the July 24 general election.

T Montree will be responsible for multimillion baht infra-

structure projects such as the new deep sea port on the east-ern seaboard and Thai Interna-tional Airlines' purchase of new generation jets. He spent an eventful two years at the commerce minis-try in the last cabinet, amid

ment rice deals and tapioca

export quotas that were alleged

to have favoured certain com-

Some commentators are willing to give the new Govern-ment a chance, Japanese, Tal-wanese and other foreign investors who have flocked to Thailand in recent years are said to be waiting to see what happens. But critics point to the scandal-prone figures that remain in the new cabinet, and to the way the portfolios were shared out, as an indication that the politicians are likely to follow there old habits rather than reform.

The appointment of the nev finance minister, Mr Pramual Sabhavasu, is a case to point. He is another important finan-cer of the Chat Thai party and was industry minister before the general election. Reporters covering the beat say he had difficulty grasping complex

Some, however, see virtue in his appointment. They place their trust in the senior ministry and central bank officials

to birdsong in the Gulf newcomer to macroeconomic policy, Mr Pramual will be more receptive to the advice he Iraq-Iran ceasefire officially takes effect, shooting had not quite ceased by Saturday morning when the Iranian

Gunfire

gives way

WITH A WEEK to go until the

this road, we were shown burnt-out tanks and armoured personnel carriers, which were

From Khorramshahr.

Edward Mortimer

reports on Iran's

battlefront, a week.

before the ceasefire.

supposed to prove the Iraqis had been forced back, and had

cars are dug into the earth-work that runs along the west-

is given.
His first statements suggest
he will do just that, perhaps to
prove his critics wrong. He has
indicated that the basket of currencies used to fix the baht's value is likely to remain, and his comments about avoiding debt suggest any spending increases will be kept under control even though Thailand's rapid ecothough Thanking Saping Government revenue even more rapidly. He also said tentatively that he thought the \$1bn per year ceiling on new Government foreign borrowing should stay. His test will come when his

cabinet colleagues seek more finds for their pet projects.

The attitude of the military to all this is unclear. They have According to revolutionary guards we spoke to, however, there has been no serious fighting on this front since August 4, when they beat back the last fraqi thrust on to the Ahwaz-Khorramshahr road at Hoseiniyeh. As we drove along this road, we were shown their own problems including splits and the adjustment to the slimmer and more professional armed forces envisaged by their supreme commander, Gen Chavalit Yongchalyudh, who is also army commander.

who is also army commander. Senior officers have pledged Senior officers have pledged their support for Gen Chatichai whose army career ended to conflict 30 years ago. But misbehaviour by the politicians could always provide an excuse for a coup if some faction feels it has sufficient need—and strength—to assert itself. That would not necessarily lead to cleaner rovernment. ily lead to cleaner government

Analysts are debating how long the new Government will last. A key period will be next month, when the annual reshuffle of top military offi-cers is due. That is almost rou-tinely a time of tension. The optimists believe the politicians have just spent too much

money in the general election to do anything that would pre-

ern edge of the road, their negotiate independence for guns pointing westward. Underneath the vehicles the Namibia and the withdrawal of Cuban troops from Angola, so crews have dug shelters and put down carpets, to give themselves some refuge from the blistering August sun. (Temperatures go as high as

A6C.)
In Khorramshahr itself, the stlence is eerie, broken only by hirdsong and distant and intermittent cannon. The town used to be home to at least 200,000 people and has been completely deserted since it was recaptured from the Iraqis in 1982. There is not a strell. in 1982. There is not a single house is smashed beyond repair, the contents either removed by the inhabitants when they fied in 1980, looted by the Iraqis or simply destroyed in the 45 days of bit-ter street fighting which it took the invaders to eliminate

Iranian resistance. Everywhere there are ramparts made mostly of rubble from the shattered buildings – buildozed deliberately by - bulldozed deliberately by
the Iragis for that purpose,
according to our hosts. Only
the central mosque, scene of a
famed last stand by 50 or so
defenders, has been rebuilt as
a symbolic gesture of defiance
- only to suffer new damage
from the shelling later in the
war. Rebuilding the city is one
of the many tasks for Iran if
the ceasefire leads to a lasting
peace, and it will have to start peace, and it will have to start with a complete levelling of

At the moment, the defenders of Khorramshahr remain on their guard. Mr Mohammed Hosein Imami – aged 38, a basii (volunteer) "from the very beginning" – does not expect to go back soon to his pre-revolutionary existence as a bank clerk in Tehran.

"We have to keep to readiness. Our enemy is very devi-ous," he says. Neither he nor his younger comrades express any enthusiasm for the coase-

any enthusiasm for the coase-fire.

• A British envoy sent to
Iran to help negotiate the
release of three Britons held
hostage in Lebanon has had
several rounds of talks with
Iranian officials in Tehran.

• Mr David Reddaway, the
British official, described his
talks as "useful." He also discussed the fate of Britons held
in Iran on soving charges. The in Iran on spying charges. The official Tehran Times newspaper yesterday said Iran would "spare no effort" to facilitate the release of British hostages.

Sacked journalist faces US insider trading inquiry

By Roderick Oram in New York

BUSINESS WEEK, the US magazine, has dismissed Mr Ruderman, a senior journalist, for ignoring its rules, requiring staff to disclose all their stock holdings.

McGraw-Hill, Business Medicar publisher, and the New

authorities took a busiond of foreign academics and journal-ists into the ghost city of ists into the ghost city of Khorramshahr.

Every few minutes a dull crump in the west could be heard, as the two armies continued a desultory exchange of artillery fire, and our hosts felt our security would be at risk if they took us to the waterfront where the river Karon flows into the disputed Shatt al-Arah waterway and Iraqi territory can be seen McGraw-Hill, Business Week's publisher, and the New York Stock Exchange are also investigating whether Mr Ruderman was involved in insider trading based on advance knowledge of companies mentioned in the magazine's mar-

The magazine recently uncovered unrelated cases of seven printing employees who profited from the column before it was publicly avail-Iraqi territory can be seen only a few bundred yards

Mr Ruderman, 62, had been Mr Ruderman, ex, and users broadcast editor since 1981. Working alongside the magazine's reporters to New York, he made nine 90-second broadcasts a day on radio stations in New York and other cities. 4111

New York and other cities.

Business Week said there was no evidence that Mr Ruderman used the programmes to promote stocks he held.

Mr Robert Landes, McGrawHill's general counsel, said the company had been alerted to Mr Ruderman's trading by the New York Stock Exchange. It had been tipped off by a stockbroker who said Mr Ruderman bought shares in companies shortly before they were mentioned in the magazine.

'Only one reprimand' to follow Iran Air shooting

By Nancy Dunne In Washington

ton Post yesterday, a navy board has concluded that an operations officer aboard the USS Vincennes bears most of the responsibility for the mis-takes which led higher officers to believe that the airliner was had been forced back, and had not withdrawn voluntarily as they claimed. However, what it proved, if anything, was that had been found in its last offensive after July 18 and come as close as 40km to Ahwaz, the provincial capital. Voluntarily or otherwise they have since withdrawn and the front has moved back westward. The road takes on the appearance of a frontline only at the Khorramshahr end, with newly sandbagged positions, many of them occupied by Iranian solidiers; armoured cars are dug into the earth-

an Iranian F-14 fighter. The board's recommenda-tions are being reviewed by Admiral William Crowe Jr., chairman of the Joint Chiefs of Staff, who may order more disciplinary action or less. Pentagon investigators have

THE PENTAGON yesterday refused to comment on a report that only minor disciplinary action against one US naval officer is being considered after the accidental shooting down of an Iranian Airbus on July 3.

According to The Washington Post yesterday, a navy hand her concluded that a children of the faulty identification of the airliner, which carried 290 people to their deaths.

job of announcing the accident, said the ship's captain had said the sulp's captain had apparently acted properly. According to the Post, the navy board considered and then rejected recommending action against several highranking officers, including Rear Admiral Anthony Less, commander of the Gulf task

The board instead recom mended a letter of reprimand to the operations officer.

Vietnam poison suspected of killing admiral's son

By Nancy Dunne

ONE OF the most widely-told American stories of personal anguish from the Vietnam war ended on Saturday with the death of Mr Elmo Zumwalt III, "Agent Orange" chemical, which his father, an admiral, had sprayed in the Mekong.

The late Mr Zumwalt, commander of a patrol boat, was exposed to the highly toxic dioxin. The Zumwalt family believes this contact caused the lymphona and Hodgkin's Disease which killed him at 42. Mr Zumwalt and his father, book. about their plight, "My Pather, My Son," which was made into a television film. It revealed that Agent Orange may have touched yet another generation of their family: Mr

IV, suffers from a congenital lisability. Many Vietnam veterans say Agent Orange causes cancer, birth defects, miscarriages and other illnesses.

Zumwalt's son, Elmo Zumwalt

Mr Zumwalt always defended the admiral's decision to use Agent Orange, Ameri-can sailors on patrol in Victnam's rivers and waterways were subject to frequent ambush, and the defoliant drove the Viet Cong a thou-sand yards back from the

water's edge.
At the time, Agent Orange was believed to be harmless to human beings. The late Mr Zumwalt at one point swam through water sprayed with the chemical to collect weapons from Viet Cong boats.

"He did what he had to do to reduce casualties," Mr Zum-walt said of his father. "I did what I felt I had to do. I volumteered for service in Vietnam because I felt whatever the risks, that was where I belonged."

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Admiral Zumwalt, who commanded naval forces in Viet-nam from 1968 to 1970, said later he felt no guilt because the use of Agent Orange "saved literally hundreds, maybe thousands, of lives."

Eta expected to step up Basque country attacks

By Tom Burns in Madrid

AN INCREASE in agitation is expected in Spain's Basque country over the next fortnight when the main towns in the area stage their annual fiestas. At the weekend, a spate of bombings constituted the biggest show of force this year by the Basque separatist organisa-

tion Eta.
In a carefully co-ordinated action early on Saturday, a string of businesses trading

string of businesses trading with France were rocked by 11 separate explosions.

Damage was estimated at more than £1m. The timing of the attacks appeared linked to the fiestss that are staged in San Sebastian, Bilbao and other Basque locations in the second half of August, and which have in the past been which have in the past been used by Eta supporters as ral-lying points for separatist dem-

The bombs wrecked Renault, Pengeot-Talbot and Citroen car showrooms as well as a plant which processes French dairy

products.

A railway bridge in La Rioja on the main branch line to Rilban was also blown up. Yesterday police continued to comb

railway lines in the area and increased security for French-linked companies.

French business interests have been a frequent target for Eta bombers, due to the co-operation by the Paris Govern-ment with Spanish police in action against cross-border terrorism.

The attacks were the first serious bombings by Eta since a car bomh last December blew up a police station, killing 11 people.

subsequently, Eta indicated it was willing to negotiate a ceasefire but contacts with government officials were broken off in March when the separatists kidnapped Mr Emiliano Revilla, a financier, in Madrid

● A UN-sponsored referen-dum was the only way to resolve the conflict over the former Spanish colony of Western Sahara, King Hassan of Morocco told Algerian journalists, Reuter reports from Rabat.

"Only an international referendum, recognised by the UN. under UN control and approved by the UN can lead to a clear . . . situation," he

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some controversy over Govern-S Africa 'welcome to sign' nuclear treaty

By Michael Holman

THE HEAD of the International Atomic Energy Agency yesterday welcomed the possibility that Sonth Africa might sign the 1970 nuclear non-proliferation

Dr Hans Blix, director-gen-eral of the agency, was responding to comments by Mr Pik Botha, South African For-eign Minister, after the latter had ended talks in Vienna with British, Soviet and US officials. Mr Botha told journalists he believed Dr Biix "doesn't want us to be part of the agency." us to be part of the agency." He did not say whether South-Africa would sign the treaty.

Belgians agree

to cut budget

deficit

South Africa already allows safeguards inspections on two plants with French and US technology, but does not allow the agency's inspectors access to the Palindaba uranium enrichment plant, which can make 'material needed for nuclear weapons.

Dr Blix, in a statement issued in response to Mr
Botha's remarks, said: "I would
welcome a South African
adherence to the treaty... the
agency would administer the
safeguards in South Africa in
the same way as is done in
other countries." ne same way as is done in ately clear wby Mr Botha ther countries."

Ar Botha had taken the ately clear wby Mr Botha decided to make his disclosure. It coincides with efforts to

opportunity to provide the first official confirmation that South Africa has the capacity to make nuclear weapons, something that has long been

Satellite surveillance in 1977 disclosed a possible nuclear testing site in the Kalahari Desert, and the US said in 1979 it had detected signs of what might have been a small nuclear explosion in the South Atlantic where a South African naval force was operating.

the move may be designed to underline South Africa's status as the regional super-power. It may also be a response to the decision last week by the US House of Representatives to support a bill which calls for

almost total US trade sanctions against South Africa. What South Africa intends to do with nuclear weapons, or why disclosure of their possession should make US legislators think again, is unclear, When under pressure, though, Pre-toria tends to flex its muscles.

Special police to tackle Kosovo unrest

By Judy Dempsey . in Ljubljana

YUGOSLAVIA'S federal authorities have given a 300-strong police unit special pow-ers to crack down on ethnic unrest in Kosovo, a southern province where there is chronic tension between the ethnic Albanian majority and

After a wave of ethnic unrest in 1981, triggered by calls from the Albanian population for Kosovo to be given republic status in federated Yugoslavia, thousands of Serbs and Monte-negrins have left the region, one of the least developed in

The latest action came against a background of rising nationalist sentiment in Yugoslavia's republics, and of proposals for an increase in the power of Serbia proper over the two autonomous provinces in its territory, Kosovo being

Under a plan to amend the federal constitution, it is envis-aged that police, judicial and several other powers invested in Kosovo and Vojvodina (also a province of Serbia) shall pass to the Serbian Government,

These amendments are sup-These amendments are sup-ported by Mr Slobodan Milo-sevic, Serbia's party leader. They are opposed by the two provinces, however, as well as by the republics of Slovenia and Croatia, which say Serbia would gain greater weight and authority in the federal struc-ture, something the late Presiture, something the late President Tito had tried to avoid.

Sudan seeks more aid for 2m flood victims

By Our Foreign Staff

BELGIAN ministers have agreed on the budget for next THE SUDANESE authorities yesterday appealed for more aid to help up to 2m victims of floods which have devastated It includes plans to cut a huge budget deficit to 7 per cent of Gross National Product, Khartoum and other centres. from an estimated 8.5 per cent, Mr Omer Nour El Din, Finance Minister and head of the government said yesterday. Reuter reports from Brussels. the government committee which is co-ordinating the Experts were combing through the final details before

a full cabinet meeting today to approve the package.

Mr Jean-Luc Dehaene, who masterminded the negotiations

Sudan, who live in makeshift In the event, negotiations which started last Monday camps around the capital. were concluded with relative speed and lack of trouble, analysts said.

relief effort, said yesterday that 58 people had died and 167,000 homes in the Khartoum areas had been washed away. Government officials denied that aid was being withheld from the half-million refugees from the civil war in southern

The refugees are mainly Christian or animist, and have been complaining about what they say is the failure of the mainly Moslem Government in Khartoum to provide adequate Dr Nicholas Ward, World Health Organisation represen-tative to Khartoum, warned at the weekend about the imminent danger of cholera, and gastroenteritis. Diarrhoea epidemics have already broken out. Malaria and typhoid epidemics are expected to follow.

King Fahd of Saudi Arabia has donated \$8m from his personal wealth to help the relief

effort, the Government said

Saudi Arabia has agreed to deliver part of its aid directly to flood-hit areas north of Khartoum, where at least 32 villages have been hit.

In Khartoum itself, many parts of the city remained without electricity or drinking water. Food shortages were reported, with long queues forming outside the few bak-eries which were still function-

Three die in riots by Egyptian extremists EGYPTIAN security authorities have charged 59 people with attempted murder, instigating disturbances and deliberate damage of public

property, after Moslem extremist riots over the weekend in which three people were killed and at least 37 injured. Two youths died in clashes with police on Friday in a Cairo suburb, and a woman died on Saturday. This fol-lowed recent unrest at Assiut, in Upper Egypt.

Bundesbank director 'against rate rise'

member, Mr Günter Storch, has been quoted as saying that he opposes raising the West German central bank's securities repurchase rate if the bank adds liquidity to the money market this week via a new pact, Reuter reports from

In an interview with the Frankfurter Neue Presse newspaper, Mr Storch was reported at the weekend as saying that, in his personal opinion, a rise to 4.5 per cent from the current

question now. A Bundesbank snokerman declined to comment on the The rate has been raised in

stages from 3.25 per cent since mid-June to help support the D-Mark on foreign currency The Bundesbank's sevenmember board usually meets on Tuesdays to settle the terms

of securities repurchase pacts,

short-term interest rates.

Mr Storch was also quoted as saying that the Bundesbank had not yet decided whether it would offer a new allocation next week.

No previous repurchase pact will expire until August 24, when a 4 per cent DMi6.2bn (25.02bn) facility is to mature, so any allocation next week would add extra liquidity to the market and help to dispel fears of an immediate tightening, which have put upward pressure on call money.

Fears of tightening intensified last week when the Bund-esbank cut the allocation of its most recent pact to only DM17.6bn, to supersede an expiring DM18.8bn facility.
This followed a rise in the US Federal Reserve Board's

discount rate to 6.5 per cent, from 6 per cent on August 9. However, the allocation was still the fourth largest this year, which led some dealers to feel the Bundeshank preferred to split the volume and offer liquidity via a second pact this week.

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Socialist and non-Socialist blocs for nearly 20 years, so even a slight shift against the that set up a new government Social Democrats could cost in May after the previous one them the coming election. collapsed last October, had expected the hudget to be a hig The SIFO poll also reveals that 45 per cent of the voters have less confidence in polititest for the five-party coalition.

cians in general as a result of the Ebbe Carlsson affair, while 10 per cent believe the affair is a more important issue than law and order and 9 per cent more important than either

Mr Dehaene is now Minister taxation or environmental of Communications and Institutional Reforms.

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which are offered for about a month and used to regulate-money market liquidity and

Pan-European insurance market likely to be a long way off

Progress to date towards true cross-border freedom of trade has to be put into perspective, Nicholas Bunker argues

LOT OF the activity among European insur-ers is "panic," says an executive of Royal Insurance, the biggest UK-based property/ casualty insurer. "People are afraid of being eaten." Last week's announcement

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that merger talks have collapsed between Royal and the French insurer Groupe Vic-toire was a sign of two things. First, the prospect of a free European internal market in insurance in 1992 has perhaps

concentrated some insurers' minds on the need to grow-by merger or acquisition if d be - to survive in what could be a harsher competitive world. Second, despite the rhetoric, the creation of a pan-European insurance market is still likely to be long-drawn-out Progress to date towards

true cross-border freedom of trade in insurance has to be put into perspective. So far, the European Commission has pushed through the Council of Ministers and the European Parliament only one directive allowing for freedom of insurance services.

Effective from July 1990, it allows cross-border trade in so-called "big risks" - non-life insurance for companies with more than 500 employees or £15m turnover. .

Few observers now doubt that in the early 1990s cross-border trade in the industrial insurance risks will be happening. But will much business

"The framework will be there, but I doubt if there'll be wholesale switching of business," says Mr Edward Hester, of Zurich Insurance's International Division in London. Prospects for cross-border

flows of "big risk" non-life business depend on two other factors: the existence of appropriate distribution systems and of unmet insurance demands in continental Europe.

In terms of distribution, the

difficulty is the stunted growth of insurance broking in Europe. The biggest French broker, Faugère et Jutheau, and its biggest West German counterpart, Jauch & Hubener, are tiny compared with the biggest London brokers, or the giant New York-based Marsh and McLeman.

The big US and UK brokers should, in theory, be able to take business away from European markets. Marsh alluded to post-1992 opportunities when it announced this spring that it would run its uon-North American business from its London subsidiary, C.T. Bowring. Yet the prospects of cross-frontier trade will be limited

by the ways customers in dif-

ferent countries perceive their insurance needs.

Mr Steve Schleisman, who has moved from New York to Paris to head UNAT, the European property/casualty arm of American International Group, has found insurance buyers in European companies less sophisticated than their North American counterparts.

"The US risk-manager sees himself as an integral part of operations, rather than as a service function," he says. That is not surprising. In the US, the rapid extension of concepts of legal liability has meant that liability insurance forms the biggest component of corporate insurance bills. More traditional perils - fire, storm, theft, flood - have bulked larger in Europe.

UNAT has found it relatively hard to sell directors' and officers' liability policies to the Swedes or the French. From this point of view, the real opportunities opened up for insurers by 1992 will be that the creation of a single European market in manufacturing industry will create new corporate insurance needs by open-ing up more complex risk expo-

Regarding so-called mass risks, the European Commis-sion hopes to adopt a proposal on freedom of services in motor insurance this year. If ratified by the European Par-liament within two years, it could be in force by the end-1992 deadline, though it seems likely that smaller countries would be allowed a transitional

Life assurance is tougher. The European Commission-has a goal of producing a draft directive on freedom of life assurance services by the end of 1988. Privately, officials have indicated that there may have to be several bites at the

A first directive might allow. can't offer them the right tax. each member-state. The big-nyers to obtain life assurance advantages." each member-state. The big-gest changes would occur if buyers to obtain life assurance from abroad, on their own initiative. The next one would allow active cross-border marketing of group life schemes. Only later would the Commis-

Yet the mundane quality of personal business such as motor insurance could inhibit utilisation of the freedom of

services directive. The Auto-

(Premiums per head of population, 1986, \$)					
Country	Total business	Non-life	LHe		
Switzerland	1,746.5	808.5	938.0		
West Germany	977.7	563.2	414.5		
Norway	874.8	437.4	437.4		
UK	807.0	327.7	479.3		
Sweden	797.1	350.4	445.7		
Netherlands	788.1	428.6	359.5		
Finland	769.7	290.2	479.5		
Denmark	743.4	435.0	308.4		
France	657.9	401.8	258.0		
Austria	-631.0	447.A	183.S		
Ireland	615.8	253.4	362.4		
Luxembourg	533.4	.405.8	127.8		
Belgium	510.3	369.0	141.3		
Italy	252.8	206.4	46.2		
Spain	137.5	109.4	28.1		
Portugal	76.1	68.7	7.4		

WHO BUYS THE MOST INSURANCE IN EUROPE

sion draft a directive opening up freedom of services across a full range of products. A key sticking point -which could take many years to resolve - is the wide vari-

ety of tax provisions governing the treatment of life assurance in different member-states. Mr Andrew O'Leary, of Cleri-cal Medical, the British life office, says: "Some tax harmon isation is essential. There's no point trying to sell life assur-

biggest motor broker, reckons it is in contact with 75 per cent of its policyholders in any year on routine matters.

It seems unlikely that this could be handled across borders - though Mr Alan Hors-ford, Royal Insurance's chief

mobile Association, the UK's

executive, says it could happen between the Benelux countries. So the crucial factor reshaping European insurance may uot be what happens across borders - but the shifts inside consumer pressure at home and price competition from abroad caused domestic industries to dismantle their official or unofficial tariff arrange-

West Germany has the reputation of being one of Europe's most cartelised markets. This may be illusory. According to Mr Bengt Westergren, another UNAT executive, West German "big risk" insurers find ways around the system. "The tariffs are undercut routinely," be

None the less, last month the West German Federal Cartel Office recommended ending the present regime, in which rates and policy wordings have to be approved by the Federal Insurance Supervisory Office after consultation with insur-

What happens if tariffs vanish? One precedent is what occurred in the UK in 1968. when leading insurers decided to abandon the motor tariff, the mechanism for fixing minimum motor insurance prices. The result was a price war which caused severe losse

From insurers' point of view, then, liberalisation of non-life markets could simply dissipate profitability. "This movement is occurring for consumerist. rather than business reasons; and that is bound to narrow margins," says Mr Tony Wyand, a director of the UK's Commercial Union.

One Parisian insurer says:

going to let foreigners take their business. If necessary, they'll let themselves bleed by

cutting prices." The orthodox view is that the approach of a single mar-ket has unleashed the present



wave of insurance mergers and acquisitions, such as the union of the AXA and AGP groups in France.
According to this argument,

the big players are striving to form pan-European alliances to shore up profitability and grab distribution systems.
This inspired Wood Macken-

Britain's composite insurers the Rowntrees of the financial sector" because of their alleged attractiveness to predators such as Allianz of West Germany and Generali of Italy. In reality, the acquisition activity pre-dates the wave of expectation surrounding 1992.

Observers point to three inter-locking factors which were promoting it, anyway. The first is the relative underdevelopment of insur-

"West German insurers aren't The Swiss Reinsurance Company estimates that life assurance premium volume per head of population in 1986 ranged from less than \$30 in Spain to nearly \$1,000 (£590) in Switzerland.

The widespread perception of the growth potential of sonthern European markets has spurred Allianz and the big Swiss insurers, Zuricb Insurance, Winterthur and Swiss Re. to annex Italian companies in

Winterthur recently bought the Rome-based Intercontinentale Assicurazioni and Swiss Re gained control of the Trieste-based Lloyd Adriatico in 1987.

A second factor is the intense fragmentation of two markets in particular: France and Spain each has more than 500 insurance companies, and both are well aware of their vulnerability. There has been scope here for some time for the kind of consolidation which occurred in the UK in the late 1950s and 1960s, when a series of mergers created the big composite insurers which now dominate the non-life mar-

Thirdly, there is the little-noticed worldwide trend for sluggish growth in reinsurance voltimes as the growing size of primary underwriting compa-nies enables them to retain factor which has helped drive Europe's big "professional reinance - especially life assur-ance - in southern Europe. surers", such as S seek new markets.

urges reform of Japanese land tax

REFORM of regulations and taxes on land is the most nrgent structural change eded in Japan, according to the latest annual report on the country's economy by the Organisation for Economic Co-

operation and Development.
"Distorting markets and using land inefficiently has a significant adverse effect on living standards," the OECD report says in a lengthy analy-sis of the progress of various structural changes in Japan. "Poor housing is perhaps the single most important factor holding back an advance in Japanese living standards."
The OECD report acknowl-

edges that land is perhaps Japan's most scarce resource, but argues that current prices. are artificially high: Even before the recent surge in urban land prices, the value

of all land in Japan was 1.5 times higher than that of all the land in the US.

astronomical land prices, the

building restrictions, central Tokyo is less densely populated than Paris or Manhattan. This is partly because regulations limit the height of buildings in residential areas to 12 metres and limit wooden houses to three storeys. There are also rules restricting the proportion of a site which can

be built on. higher than inheritance taxes,

Changes in regulations and taxation could increase the supply of land for housing sig-nificantly and thus push down report suggests.

Meanwhile, the tax system discourages the release of unused or underused land. Capital gains and taxes are

while property taxes (rates) are charged at 1.4 per cent on assessments that are, in gen-

"Poor housing is perhaps the single most important factor holding back an It notes that, because of advance in Japanese living standards"

eral, less than a fifth of actual

Land in an urban area used for farming is exempt from rates and from inheritance taxes if used for farming for at. least 20 years following the

> The report acknowledges that reform of these measures will be politically difficult, but argues that it is argent.
>
> "The international implica-

tions may also be significant. Lower land prices would reduce the size of the downpayment needed to acquire a house, and this might reduce savings and encourage greater investment in housing.

"By thus affecting domestic, saving-investment balances." this change would tend to reduce the current external

The report's focus on structural problems in housing and other services, such as distri-bution, telecommunications and transport, is based on the OECD's view that services will have to play a much greater role in Japan's economic growth in the next few years.
It acknowledges that in the
past few years far-reaching
measures have made many ser-

vice sectors more open to com-

petition and more responsive

to market demands. However, it calls for further progress in a number of areas: Distribution: severe regula-

tions limiting the expansion and operation of large shops should be eased, and the anti-competitive elements in soleagent distribution arrange ments should be reviewed;

Air transport: better use of airports other than the main Tokyo and Osaka ones would

ease congestion and create room for more capacity; Road transport: regulations restricting entry and limiting the scope of haulage busisses should be reviewed; Financial markets: steady progress has been made, but interest rates on small denomination deposits (less than Y10m), which account for more than half of all deposits with

Taiwan rejects coalition offer

By Bob King in Taipei

TAIWAN has turned aside an indirect offer from Peking for talks on the formetion of a coalition government that would include Taipei's ruling

KMT, or Nationalist Party. Analysts say the government believes the offer – which Mr James Hsiung, a Chinese-American scholar, relayed to a conference run by the Asia and World Institute in Taipei last week - probably amounts to no more than an attempt to discover whether Taipei is moving away from its insistence that the government there represents all China, in favour of a policy ofindependent nationhood for Taiwan. Dr Philip Chen, director of the institute, said there was

Dr Chen said the indirect approach reflected, more than anything, Peking's growing unease at the increasing shift in power on Taiwan to local Taiwanese Programmes aimed to end the decades-long domination of bodies such as Parliament by people from the mainland are now under way.

Mr Lee Teng-hui, himself born in Taiwan, is now both head of state and party chairman, and is less vulnerable to emotional appeals over reunification than his predecessor, Mr Chiang Ching-kuo. Mr Hsiung said China is

offering to renounce the use of and events puzzlement in Taiwan as to.

Millions of guilders

Earnings of consolidated companies from normal operations, after taxes

why, if the offer were serious. force against Taiwan, draw up Peking bad made it through Mr Hsinng, rather than eschew the "four cardinal principles" of communism, and share power with the National-ists, provided Taiwan promised not to declare independence.

He added he was merely relaying what he had beard during a recent visit to Peking and was not a go-between. Taipei is clearly wary of such manoeuvres. Government officials have played down over the past few days the significance of Mr Hsiung's message. Other observers say that, to

gain Taipei's confidence, Peking will have to demonstrate its sincerity through say, participation on equal terms in international bodies

January-June 1988 19

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HK prime increased to 9.5%

By Our Hong Kong

THE Hong Kong Association of Banks decided at the weekend to raise the local prime lending rate by half a percentage point to 9.5 per cent. The new rates will be effective from today. The move was made because of the continued rise in the general level of interest rates, in both the local wholesale money market and the Euro-dollar market, the Association

Local interest rates have now increased by 3.5 points since April, when the prime rate in Hong Kong stood at only 6 per cent.
Analysts said the latest

increase would be unlikely to have much effect on the local stock market. Expectations of a local interest rate increase rose after last week's move by the US Federal

Reserve to raise its key dis-count rate half a point to 6.5

Aquino urged to quit Philippines newspapers yesterday urged President Corazon Aquino to respond to a call by her vice-president to

rel had accused Mrs Aquino's Government of incompetence and urged her to call new elec-tions. She refused to comment.

resign, AP reports from

major banks, remain regulated. S Korean police harden tactics at rallies

and left the family home on for the committee explained.

POLICE using staves and stones broke up two peaceful student rallies in Seoul yester-day by way of a change of tac-tics that is likely to heighten criticism of the Government. The students are planning to march to the border village of Panmunjom today in an attempt to hold a meeting, on reunification of the divided nation, with their counterparts in North Korea. The Govern-ment has pledged to stop them. The violent demonstrations.

By Peter Ellingson in Peking

SLOWLY, and with little or no

official fanfare, China is begin-ning to relax its key means of birth control, the one-child pol-

Instead of strictly limiting all families to a single off-

spring, the Government is now allowing some rural couples with one girl to have a second

informally dubbed the "one-and-shalf-child policy", the more flexible approach follows gains in population control.

and apparent acceptance of the impossibility of eradicating the

mpossionly of eranizating the preference for male children.

The new attitude amounts to an admission that heavy fines and penalties imposed for breaching the one-child policy have not always worked.

A farmer facing a fine

summed up the Government's new policy, the province's overall population plan will could not do hard farm work,

yesterday, when police and stu-dents pelted each other with stones and beat each other with sticks, followed a police decision to reduce the use of tear gas before the Olympics

there next month.

The acrid gas was used to quell a demonstration at a football stadium last year, resulting in the cancellation of an international match as players colleged on the field.

China eases 'one child' policy

collapsed on the field.

Even so, the mobilisation of professional combat police,

and left the family home on marrying.

"Money is dead treasure: a son is living treasure," he said.

Typical of the new thinking is the coastal Shandong Province, near Peking, where the local family planning committee surveyed 1,138 couples and found a majority with one girl wanted another baby.

Surveys in Wendeng, Jiaoritan and Wudi counties showed that the first child in families with two children

families with two children

often was female.
So, after what Chinese offi-

cials describe as "frank discus-sions", it was decided to let mothers over 30 with one girl

have another baby.
"We believe that even though the birth rate might go

up slightly as a result of the

known for hard-handedness, has frightened students. Both sides are well able to cope with the normal tactics by conscripted riot police using tear gas. Few on either side are

ever hurt.

More than 50 people have been injured during the past week as police used the new tactics, along with tear gas, to break up reunification rallies throughout the country. Yes-terday they swooped on stu-dents as they approached uni-

The more liberal approach

comes as the Government is

claiming success for its birth

In the southwest province of Sichuan, the most populous region of China, the birth rate

is now said to be lower than

year of 1986. While claiming that Sichuan.

control measures.

of the century.

versity campuses, arresting more than 50, which brought the total to 1,027 in two days. Opposition leaders have con-demned the violence, but are split over whether the Government should allow a meeting of the students now or after the Olympics. A delegation of parliamentarians is to meet North

Korean assemblymen at Panmunjom on Friday - an initia tive developed since the stu-dents' last abortive attempt to march to the border in June. Colombo police

By Mervyn de Silva in

POLICE launched a security operation in Colombo yester-

the national average.

According to the province's vice-governor, Han Bangyan, last year saw 140,000 fewer children born than the peak with a population of 104m, had turned the corner on birth consquad to Colombo.

Police began house-to-house searches in Tamil suburbs,

launch drive to balk terrorists

Colombo

day as state radio and television broadcast bourly warnings of possible bomb attacks - India's independence

The authorities warned that the Tamil Tigers, the main sep-aratist group fighting a 60,000-strong Indian peace-keeping force in the north of the island, had despatched a specially trained, 25-member terrorist

trol, the vice-governor empha-sised the need to monitor fam-ily planning measures.

With 1.3m couples in the child-bearing age group, efforts were still necessary to ensure while army units patrolled the Indian business sector and all Sichuan did not exceed its population goal of 120m by the end Indian High Commission buildings. Airline offices and banks were heavily guarded.

Source: (except US, UK, Japan) Eurosta

Net income per common share of Hfl 20, in guilders Common stock Sales and income The net income of Hfi 242 million realized in the second quarter of 1988 exceeded the figure of Hfl. 191 million for the second quarter of 1987

Minority interest

Net income

Net sales

Operating costs

Operating income

Financing charges

by 27%. Both the contribution of the consolidated companies and that from the nonconsolidated companies were up substantially.

Extraordinary items aside, the quarterly income now reported is the highest ever to have been achieved by Akzo. Net income for the first half of 1988 now totals

AKZO NV Registered Office at Arnhem

Report for the 1st half year 1988

Consolidated statement of Income

Operating income less financing charges

Earnings from nonconsolidated companies Extraordinary items

Hft 436 million, compared with Hft 371 million in the prior year period. Net income per common share for the first half of 1988 works out at Hfl 10.85, compared with Hfl 9.23 for the first half of 1987.

Sales of Hfl 4.2 billion in the second quarter of 1988 were 8% higher than in the second quarter of the previous year. Sales for the first half of 1988 aggregate Hfl 8.2 billion, equivalent to a 7% rise on the corresponding 1987 figure. Higher shipments eccounted for approximate 6 percentage points of

on balance resulted in a decline by 1 percentage point. Selling prices on average advanced 3% but the effect of this was in part neutralized by a drop of approximately 1% in American Group company sales, translated at lower rates of exchange.

Operating income for the second quarter of 1988 was Hfl 402 million, equivalent to 9.6% of sales, compared with 8.7% in the first quarter of the year. For the first half of the year the profit margin is 9.2%, compared with 9.0% for the first half of 1987 after deduction of sales and earnings of the consumer products division.

Based on the results for the first half of the year, and provided that the present economic conditions continue to prevail, we expect that net in-come before extraordinary items will be signifi-cantly higher than the 1987 figure of Hil 669

Amhem, August 1988 this gain, whereas acquisitions and divestitures The 8oard of Management

Sales and operating income by product group break down as follows (in millions of guilders):

Sales		if year	Operating income	1st half year	
	1988	1987		1988	1987
Chemical products	2,928	2,112	Chemical products	326	227
Man-made fibers	1,711	1,627	Man-made fibers	73	69
Coatings	1,390	1,215	Coatings	119	90
Pharmaceuticals	1,196	1,105	Pharmaceuticals	170	165
Miscellaneous products	1,048	1,002	Miscellaneous products	72	85
intra-Group deliveries	8,273 (112)	7,061 (130)	Nonallocated items	760 (12)	636 (15
mid d or oop deliveries		(130)	· ·		
	8.161	6.931		748	621
Consumer products		721	Consumer products		47
Total	8,161	7,652	Total	748	668

Copies of this report may be obtained from the London Paying Agents; Borclays Bank PLC, Stock Exchange Services Department, 54 Lombard Street, London EC3P 3 AH and Midland Bank PLC, International Division, Securities Services Department, 110-114 Common Street, London EC4N 6 AA. The report for the 3rd quarter of 1988 will be published on November 3, 1988.

SHIPPING REPORT

Tanker rates steady in Gulf

By Kevin Brown, Transport Correspondent

RATES remained broadly steady in the Gulf last week, but the volume of inquiry for ships was relatively low as the industry awaited the outcome of the ceasefire agreement

between Iran and Iraq. Brokers said many traders remained sceptical about the agreement, and were unlikely to re-enter the market in strength until it was clear that stability had been restored.

The reluctance to fix cargoes was exacerbated by the uncertainty caused by fluctuations in the price of crude off, and the impact of higher interests in the UK and US.

Hopes for an improvement in rises with a strong dose of real-the market in the short term ism. rest on the continued strength of world demand for oil, largely because of the continuing buoyancy of the US aconomy.

However, brokers pointed out that around 1.25m harrels per day of the 18.5m-19m h/d being produced by the Organisation of Petroleum Exporting Countries is believed to be

going into storage. E.A. Gibson, the London brokers, said this could overhang the market next year, and warned owners to temper optimism about long-term rate

In the Gulf, very large crude carriers were being fixed at around Worldscale 40 to the East and slightly less to the West. One ultra large crude carrier was reported to have been fixed at Worldscale 37 to

Demand for product tankers was affected by the continued absence of Japanese charter-ers. Brokers said the Japanese companies were still absorbing a large number of 50,000-ton cargoes arranged last month for August loading.

WORLD ECONOMIC INDICATORS July '88 6,625.0 5.4 May '88 6,783.0 5.6 6,455.0 USA 000's

July '87 7,251.0 May '88 2,426.9 8.8 1,540.0 2.5 UK 000's Japan 000's W. Germany 000's 2,458.7 Netherlands 000's Beiglam 000's % Raly 000's % 10.3 3,762.0 16.2 10.42 10.7 May '87 2,522.4 10.8 Mar.'88 2,547.8 10.9 France 000's

TOWN AND COUNTRY, the smallest of the top 16 building societies, emerges as the industry's star performer in the first detailed analysis of building societies, published today by Phillips & Drew, the London

The report shows there is no direct correlation between the size of the main building societies and their financial strength. Some societies which were first to declare them-selves against conversion into companies emerge as the weak-est financial performers. Town and Country is ahead

of all the other societies sur-veyed on seven out of 12 performance criteria. The criteria were intended to show the financial strength of building societies on the basis of profit-ability, capital strength, mar-ket share, revenue cost, and growth. The purpose of the report is to itemise the strengths of building societies at a time when some may be tending to drop mutual savers.

Two other societies close to the top of the table were Abbey National, and Cheltenham and Gloocester. Abbey National announced last April that it

By David Barchard

RECENT increases in interest rates by the main credit card

organisations highlight sharp

divisions emerging in the UK plastic cards market.

ing to undercut established brands such as Barclaycard

Barclaycard announced at the weekend that it had

increased its annual interest

rate to 26.8 per cent and last week Lloyds Access and TSB Trustcard, the second largest

Visa card, put their rates up to

25.3 per cent APR.

These rates may look high

but they are really not excessive when you consider firstly

that about 45 per cent of our

customers pay no interest because they settle their accounts in full every month, and most of the remainder will

pay off their balance in two or

three months, incurring an effective rate of well below 20

per cent. By the standards of

the money markets, the credit we offer is in fact very reason-ably priced," said the general manager of one credit card operation who asked not to be

company, and former deputy

chairman of Lazard Brothers, merchant bank, has been appointed head of the London

operations of PaineWebber, the US investment bank. Mr Grant, 58, said yesterday

that be saw his role as develop-

ing the European presence of PaineWebber, which has not

yet achieved the same standing

as other US houses such as Morgan Stanley and Goldman Sachs. He said PaineWebber

was particularly strong in the

which needed good market

rement buy-out business

Role for Sun Life chief

MR PETER GRANT, chairman connections. It was also a sub-of Sun Life, the life assurance stantial fund manager.

Newer card issuers are try-

Rate rises highlight

credit card divisions

plans to shed mutual status if its members approve, while Cheltenham and Gloucester is considering its strategy.

Mr John Wrigglesworth, who prepared the report for Phillips & Drew said yesterday: "The key ratios of profitability, capital adequacy and managemen expense show Town and Country consistently doing hetter than most other societies. Its main weakness is its relatively small share of the market."

His study will provide some encouragement for Abbey National's proposed flotation as it shows the society is in the top five for nine out of the 12 categories and has a record of growing profitability and reduced management expenses

Halifax, the largest building society, comes only sixth. It has a strong lead on market share but its indicators of capital strength are below average for the top 16.

Gateway, a society which vanished when it merged with Woolwich this summer, comes bottom of the table, doing

sive profits because an inquiry

into the credit card industry is

being carried out by the Monopolies and Mergers Com-mission, which is due to report

The commission's report is

next May.

poorly on all the criteria chosen by Mr Wrigglesworth.

Nationwide Anglia, the third largest society, in one of the surprises of the study, comes out only slightly above Gateway. Its main areas of weak-ness seem to be profitability, capital strength, and manage-ment expenses.

Britannia also comes out poorly, with single-figure rat-ings in only three of the perfor-mance tables.

Both societies say they favour retaining mutual status. The reason for Nationwide Anglia's poor showing, on the basis of the figures in the report, may be rising manage ment expenses which account for 65 per cent of its income compared with 41 per cent for Abbey National, and an aver-age of 48 per cent for the top 16

This may reflect the ambi-tions diversification into new financial services by Nation-wide Anglia while the society is still affected by the merger between the old Nationwide and Anglia societies.

Ministry 'failing' to protect land

By Bridget Bloom, Agriculture Correspondent

expected to lay the ground rules for the future development of the credit card industry at a time when it is going through intense upheaval. The two main systems, Visa and Mastercard, are both allowing new entrants to join, thereby placing hard strategic choices on existing card issu-

Charles Hodgson writes: Mr John Smith, the Shadow Chan-cellor, last night called for tighter ceilings on interest rates charged by credit card companies and "fringe" lenders to protect consumers,

He said there was an "excessively wide margin" between interest rates charged by banks and those charged by credit card companies. These compa-nies already enjoyed "very healthy profit margins" and he saw no justification for the Barclaycard increase. Last week Mr Smith called

Credit card issuers are especially sensitive at present to charges that they make excessions for tougher controls on "easy." credit which was leading many families into disaster.

Mr Grant has spent 35 years

in corporate finance and mer-chant banking. Much of his time recently has been taken

up at Sun Life trying to seek

alliances with foreign insur-ance companies in Europe and the US. The plan is being

trolled by Liberty Life of South

Mr Grant said he expected to

THE MINISTRY of Agriculture is no longer prepared to fight to protect good farmland in the long-term interests of the countryside, the farming industry and the economy, according to one of Britain's main conserva-

tion agencies.

The Council for the Protection of Rural England argues that, following changes to rural planning procedures in May last year, the Ministry of Agriculture is taking a more permissive attitude to development for non-farming purposes such as housing or roads.

such as housing or roads.

The CPRE maintains that in 1987 the ministry objected to less than one in 20 applications to develop farmland — the lowest proportion ever. The CPRE claims the ministry is failing to fulfil the obligations it still has under the planning process. under the planning process.

The agriculture ministry has long been seen as the guardian of agricultural land, since applications for permission to develop land which has not been included in county structure plans have traditionally been submitted to it for

The CPRE maintains that this obligation remains, in spite of a weakening in the ministry's role following the introduction of the Department of Environment circular 16/87 in May 1987, which was part of the so-called Alure package detailing policies on alterna-tive land uses.

The CPRE's criticism comes less than a month after the Countryside Commission, the Government quango whose role is to advise Government on the countryside, called for a more coherent strategy on rural development.

Concrete Objections - The

fiercely opposed by Trans-Atlantic Holdings, the 26 per cent shareholder which is con-Ministry of Agriculture's Response to Applications for Development of Agricultural Land. CPRE, 4 Hobart Place, London, SW1 55. divide his time equally between PaineWebber and Sun

Planning for Change: Devel-opment in a Green Countryside. Countryside Commission, Cheltenham, Gloucestershire.

Economics that threaten a Hotol launch

David Fishlock on a project that cannot survive on technological promise alone

OTOL, now owned by Rolls-Royce, was first publicised at the Farn-borough Air Show of 1984 and is arguably the most glamorons piece of advanced technology to fall foul of the Government's purge of its less productive research and devel-opment investments. Unlike the nuclear fast reactor programme, on which the taxpayer has been spending more than £100m a year, Hotol—the horizontal take-off and landing space launcher—has cost the Government very little, mostly on studies into whether the concept will work.

A model of Hotol: The project is unlikely to progress because of a limited market

be in the order of 25bn or 26bn. Why spend another fom on phase two when, under the Government's own R and D rules, there is no likelihood of funding phase three?

Enthusiasts for space travel have risen in support of Hotol's inventor, Mr Alan Bond, to contest this conclusion, which was endorsed by the Govern-ment last month. Mr Bond has publicly threatened to take his printerly interests to take the ideas overseas and claimed he is hampered only by the fact that the Government has "clas-sified" his brainchild as having

military potential.

In fact, as Rolls-Royce has now disclosed, Mr Bond has already sold his invention to the company. And Rolls-Royce can see no way of getting a commercial return itself on developing a Hotol engine, designated RB.545. A Rolls-Royce executive says

everyone should forget talk of passenger travel at hypersonic speeds: Hotol is not a potential passenger-carrying vehicle, it is a space launcher; a way of potting payloads into orbit more cheaply than rockets and the US Space Shuttle.
As an airliner, Hotol would

be far less efficient than Con-

corde, which itself can carry only 7 per cent of its take-off weight as payload. Hotol's objective is only 3 to 35 per cent — and this is regarded as optimistic. On the other hand, a traited sincle-state launcher. a typical single-stage launcher has a payload of 1 per cent. What Hotol offers is a way of reducing the heavy burden of liquid oxygen which a conven-

tional space launcher must Mr Bond envisaged an engine faelled by hydrogen which would behave like a con-

ventional jet engine for the first few minutes of flight using air sucked in from the atmosphere to burn the fuel. The engine would then pess through a transition stage when stored oxygen first boosted, and then replaced, the air as the launch vehicle left

In the 1960s, Mr Bond worked for Rolls-Royce as a rocket engineer, winning a rep-utation as a man of vision. He gained the idea that nuclear fusion reactions might become the basis of the space engine he sought and he joined the fusion research centre of the UK Atomic Energy Anthonity at Culham, near Oxford.

Culham's management says the first it knew of his inven-tion was when the Ministry of Defence classified it. They then learned, to their astonishment, that Mr Bond had done the calculations at home in his own time, leading to his own patent

Rolls-Royce executives say they were far from certain Bond's concept would work. The air sucked in by the engines would become very hot at high apeeds through the atmosphere, creating difficulties for efficient combustion. Clever heat exchangers had to be invented to cool and dry the

Roils-Royce by Culham for two days a week during phase one, which is why he has been seen on television wearing a Rolls-Royce insignia on his white coat. He is now back

full-time at Culbam.
Mr. Stnart Miller,
Rolls-Royce's director for corporate engineering, admires Bond's achievements and believes the Hotol concept can be made to work. But he has to worry about whether there would there be enough custom-

It seems that they will have

development phase costing A development phase coming sibn to his cannot hope to show a return for the company when the world market for such a re-mable engine is fewer than 20. In addition, there is little scope for speres, normally a large part of the sero-engine business. with the

Miles

on in

If Mr Bond's belief holds frue

that it would be a chesper
way of making space launches
the biggest benefactors will
be safellite operators, such as
telecommunications and broadcasting companies, and the
MoD, for whom it could open
fresh options in definice strat-

Rolls Royce executives stress they would love to have a con-tract to develop the Hotal hydrogen-burning engine. It would stretch the technology and would be a technical chal-lenge — though less of a chaland would be a constraint and would be a char-lenge — though less of a chal-lenge, they say, than for Brit-ish Aerospace which would need to trim every gram of surplus weight in order to minimise the drawback of such a bad psyload-to-weight ratio.

However, Hotel would give Rolls-Royce valuable experi-ence of the high-speed regime for turbo-machinery beyond Concorde, for aircraft travel-ling at between Mach 2 and Mach 8.

As a private venture funded by the company, however, it compares poorly with develop-ing a new civil airliner engine. Industry wisdom suggests that it would cost about fibn to develop a big new engine from scratch. In practice, most new aero engines are derivative and their R and D costs are but a

department

BARCLAYS BANK has

reorganised its medium-term

export credit and project finance business into a single department which will be part

of its corporate division.

The department, for which
Mr Mike Rowlinson, a corpo-

By Peter Montagnon,

World Trade Editor

Barclays

creates

Self-employed group criticises tax policy

For the past year, since completion of phase one of the Hotol study, British Aerospace and Rolls-Royce have kept the project alive with their own

funds, hoping for government support for phase two. Phase two is intended to test

some of Hotol's key features in rigs, at a cost of perhsps another form over three years,

in preparation for phase three.

Phase three would take the project into the demonstrator stage, building and breaking real engines. Rolls-Royce can-

not yet say what this phase

may cost. The case against Hotol is

that as a re-usable space launcher, very few will be needed – fewer than 20, says Sir Francis Tombs, Rolls-Royce chairman. Britain, in spite of

claiming a world lead, is not the only nation developing a re-usable space launcher and must at best expect to share any market with the US, Japan and West Germany.

In short, Britain cannot

expect to get a commercial return from an outlay which

industry estimates suggest will

GOVERNMENT efforts to encourage small business are being hampered by an Inland Revenue crackdown on the self-employed, according to the National Federation of Self Employed and Small Busi-While the Government is

keen to encourage more flexi-ble work practices, the Reverme and the DHSS are making me and the Driss are making life more difficult by arbitrarily re-classifying many traders as employees, claims the federation, which has almost 50,000 members.

For the past year, the federation has been campaigning for the Payment to charge its tra-

the Revenue to change its tac-tics but has been alarmed by the much tougher attitude the Revenue has recently adopted in the west country to traders with more than one business. They are being required to register as employees for all it their main busines

The federation hopes to pro-mote legislation requiring the burden of proof to be shifted to the Revenue to show someone is not genuinely self-employed. Mr Brian Prime, federation chairman, said: "It is futile to have millions of pounds being advanced by Government to stimulate self-employment when you have the DHSS and the Revenue pursuing a policy that rules out the jobbing self-employed people who can turn their hand to many skills."

People such as market researchers or consultants who

might work for several different people in a week could be forced to become "employees" of the clients for whom they work in spite of the fact that they do not deal exclusively with one company, the federa-tion warned. This would mean that in theory they would have to get a P45 form completed after every job. One federation member, who

is an estate agent and financial adviser, does occasional book-keeping for his father's company and has been told by the Revenue he must be employed by his father rather than invoice him and receive a fee. Many self-employed traders with seasonal ammer hosies do different jobs in the

to do such work as "employees" even if they have VAT
registration numbers and are
working quite independently
using their own tools and
vehicles, the federation said.
People who moved between employment and self-employment in the same year would spend much of their amployed time on emergency rates of tax since their tax liability while, self employed could not be cal-culated until the year end, the federation said.

There are 2.7m self-employed people in the UK, just over 10 per cent of the workforce. Their numbers have increased over the past decade with strong growth in the service sector.

rate division director, will have overall responsibility, will com-hine the provision of services to exporters requiring medium term finance with the supply of project advisory services and medium-term limited recourse financing.

This will include the busi-

ness of assisting contractors with finance for project development both in the UK as well

Appointments, Page 8

Small National Savings inflow

NATIONAL SAVINGS saw a small net inflow of £12.4m in July. This reverses the large f60m outflow registered in June but continues the declin-ing-trend in National Savings contributions seen for much of

this year.

The main net contributions to funding came from income bonds (194m) and investment accounts (263m). But there was a 156.3m net outflow of fixed interest certificates, including accrued interest.

The total net contribution to funding so far this year amounts to £526m, down from £844.7m in the same period last

complaint of high costs By Kevin Brown, Transport Correspondent

BAA yesterday rejected claims by airlines that its charges were too high and claimed that it seeks only a "fair and modest" return on investment. BAA refused to comment in

detail on a complaint about its pricing policy prepared by the Board of Airline Representatives, which speaks for about.

The complaint concentrates on increased charges for check-in desks and office accommodation at London's Heathrow and Gatwick airports, which BAA operates.

BAA said it was subject to "very stringent" regulatory control by the Government and the Civil Aviation Authority, designed to ensure that

Authorised

£13,500,000

£1,000,000

Lowndes Ventures PLC

42 Lowndes Street

London SW1X 9HX

charges were closely related to The Government restricts increases in landing charges and associated passenger fees to one percentage point less than the annual increase in the

Retail Prices Index.

The CAA is responsible for regulating all other charges, such as for coach parking. which the BAA is trying to

The BAA said: "The charges we make for check-in desks reflect the substantial invest ment, running into tens of milhons of pounds, that we have made in automated optical rec-ognition baggage handling equipment installed at the request of the sirlines."

Airports authority rejects | Faults in new locomotives lead BR to delay delivery By Our Transport Correspondent

BRITISH RAIL has postponed delivery of part of a 250m fleet of electric locomotives being built by British Rail Engineering (Brel) and GEC because of technical problems identified

during testing.

Eight of the Class 90 locomotives have been delivered for use on the west coast main line between London to Glasgow. However, BR has refused to accept delivery of the ninth until modifications have been carried out. British Rail said: "We are

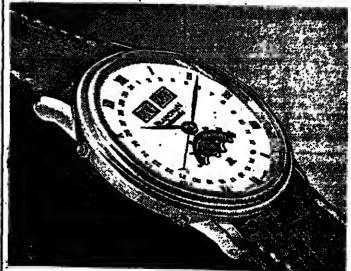
not taking any more beyond the eight, but production is continuing and we expect deliveries to resume shortly, when modifications can be done to those delivered and those awaiting delivery."
The locomotives are being built by Brel, with traction equipment supplied by GEC. The source of the problems is unclear, but GEC said its electrical equipment was not to

Mr Brian McCann, managing director of GEC Transportation Projects, said: "We don't have any problems with our part of the contract." No comment was available

The delay is unlikely to have much effect on west coast express services, since the 110mph Class 90 locomotives have the same top speed as the existing Class 87 stock on the

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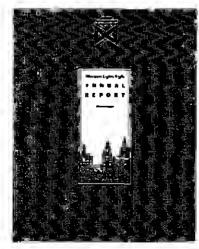


Watches of Switzerland The watch shop

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UK NEWS

Vigorous retail sales expected to continue

By Raiph Atkins,

VIGOROUS GROWTH in British retail sales is set to continue through August with no sign of a slowdown, according to a survey released today.
The Confederation of British industry/Financial Times distributive trades survey shows that retailers are more opti-mistic about sales volumes this month than at any time

It also shows that a striking 79 per cent of motor traders questioned expect sales in August to be higher than the same month a year before
- underlining the recent
buoyancy of car sales. Just 3

per cent expect falls
The survey indicates that
the strength of consumer spending in the UK economy is

If retail sales figures for August match retailers' expec-tations, it would suggest that recent rises in morigage interest rates have had little effect

The results are the first of a series of statistics published this week for the British econ-

They will be scanned by analysts for signs of a rise in inflation caused by exceptionally fast economic growth.

Official figures for retail sales in July are published today and are expected to show further signs of strong

 Bank and building society lending figures, published on Thursday, are likely to reveal s, suggesting fast growth in the money supply.

The retail price index, released on Friday, is expected to show the annual rate of inflation rising towards 5 per

relays

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partner

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.

 $\gamma_3 \approx 5$

average earnings growth are due on Thursday. These could

pressure on prices. In the CBI/FT survey, 68 per cent of retailers said sales volumes were higher in July than the same month a year before while 10 per cent reported

For August, 65 per cent expect an increase compared with August 1987. Just 4 per

cent anticipate a fall.
Shops selling household textiles, furniture and carpets were the most optimistic about sales this mouth. Food retailers also expect to do well.

The recent fast pace of retail.

sales has been fuelled by strong earnings growth and buoyant demand for credit.

THE TRADES Union Congress Paper in January. The comcians, and the TGWU transport pany is a subsidiary of Kymbuoyant demand for credit.

THE TRADES Union Congress Paper in January. The comcians, and the TGWU transport and AKU engineering unions, although full negotiations took Tax cuts announced in the and the superior of the superi

of sales is leading to bottlenecks in industry as output capacity proves insufficient. This could put further upward pressure on prices and worsen Britain's trade deficit by sucking in more imported

More open gas pricing policy may be imposed

BRITISH GAS is likely to be forced to be accept a change in its licence to make it more open with its pricing and accounting policies as a result of a Monopolies Commission

report now almost completed. The report, which will be sent to Lord Young the trade and industry secretary, next week, is a response to com-plaints by Sheffield Forgemas-ters that British Gas was over-charging some of its industrial

Lord Young and Mr Cecil Parkinson, the Energy Secre-tary, are said to have agreed informally that the corporation should be subject to more discipline from competition.

The commission report is expected to suggest three main ways in which this could be achieved:

A rule which would prevent British Gas from buying more than 85 to 90 per cent of gas produced from any new North Sea development. The remainder would be sold direct to industrial comparises of her to industrial companies or bro-

• A requirement that the company should publish a range of indicative prices charged to industrial companies. This would help competi-tors get a foothold in the mar A better breakdown of the company's profits to reveal how much it is earning in the unregulated industrial sector and how much from captive

domestic customers. Mr James McKinnon, director general of the Office of Gas Supply pressed the case for more competiton in industrial gas markets earlier this year. He has also told MPs that he believed it was essential that British Gas should provide profit figures from different market sectors if domestic prices were to be adequately

regulated.
These views have doubtless been put strongly in Mr McKinnon's evidence to the Monopolies Commission, and the expectation in Whitehall is that the report will broadly

It is also expected that the report will favour an increase in Mr Mckinnon's powers to make him an umpire of fair play in the industrial market. Under the Gas Act drafted in the last Parliament when Mr Peter Walker was energy secretary, the regulator is largely restricted to an oversight of the domestic market.

In this sector annual tariff increases are restricted to 2 percentage points less than the inflation rate, plus an allowance for the increase in North Sea Gas costs.

However, Ofgas has already told British Gas that it cannot do its job properly unless it has complete access to the com-pany's financial and operating

It has said that when the for-mula comes to be revised after five years, the public will want to know whether profits in the controlled monopoly market were reasonable.

The company has now provided Ofgas with data from which an analysis of profits and return on investments is expected to be made by the end

of the year. In Whitehall, there is some debate whether the changes which the commission is expected to suggest would require new legislation. It is generally expected, however, that, an amendment to the 44-page licence granted by the Energy Secretary would be enough.

This could be done by ministerial dictat

However if the Covernment

However, if the Government failed to act it would still be possible for Mr McKinnon to make a separate proposal for a change in the licence, which the commission could then implement independently of

Mail may face disruption

By Michael Smith, Labour Staff

POSTAL SERVICES in Britain may be threatened with severe disruption after a decisive vote by Post Office staff to give union leaders the power to

organise industrial action.
The outcome of a secret ballot is expected to be announced today, but Mr Alan Tuffin, gen-eral secretary of the Union of Communications Workers, said yesterday that returns indicated a two-to-one majority in favour of giving the union a mandate for action.

The dispute is over the Post Office's imposition of local pay supplements for new employ-ees to ease acute recruitment difficulties in some areas, all in

the south-east of England. Mr Tuffin says the payments breach a deal signed last year to settle a row over the union's claim for a shorter working week, a charge denied by the Post Office.

In a separate development yesterday the UCW and three other unions said they were organising another ballot on industrial action, this time over the Post Office's plans to convert 250 branches into sub-post offices. The ballot is expected to take four weeks.

The disputes are the latest in a series of highly public rows between the UCW and the Post

Office won a High Court injunction against the UCW to stop the union from instructbriefings - workplace discussion groups - aimed at improving industrial relations.

Union claims that industrial relations have sunk to a new low are denied by the Post Office, which says the number of days lost through unofficial stoppages in the past three months is no greater proportionally than the past two

Mr Tuffin has written to the Post Office requesting urgent talks on the payments for new

TUC intervenes in union row

By Philip Bassett, Labour Editor

dispute over a single-union

agreement.
TUC officials have put proposals to Sogat, the general print union, and the EETPU.
electricians union, in an effort to resolve the row over a deal signed by the EETPU with a Finnish-owned company for a new paper mill in the west of Scotland.

The electricians signed a single-union deal with Caledonian

This adversisement is issued in compliance with the requirements of the Council of The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited ("The Stock Exchange"). It does not constitute an offer or invitation to any person to subscribe for or purchase any shares.

Application has been made to the Council of The Stock Exchange for the whole of the ordinary and convertible preference share capital of Tamaris plc, issued and proposed to be issued, to be admitted to the

Sogat leaders reported the deal to the TUC under its inter-union disputes proce-

The deal will cover 300 man-ual workers to be employed at Caledonian's £215m high-tech-nology paper mill at Irvine. The EETPU's deal followed a "beauty contest" between four

place with only the first two.

EETPU leaders said that their single-union deal with Shotton Paper in North Wales demonstrated their presence in the papermaking industry.

However, Sogat, which represents employees at Kymmene's two other UK mills, Star Paper and Wolvercote, said the EETPU had no place in the unions - Sogat, the electri-

Pit union accepts 6-day deal

By Charles Leadbeater, Labour Correspondent

NATIONAL Union of Mineworkers' leaders have tacitly accepted the introduction of six-day production at a col-liery in south-west Wales, despite their long-standing opposition to flexible working. The Cynheidre colliery, which voted heavily to help re-elect Mr Arthur Scargill as the union's president earlier this year, is thought to be the first NUM branch to allow

ekend coal production. Its decision could have wide repercussions for the industry. British Coal has been pressing British Coal has been pressing the mining unions to accept six-day coal production at cer-tain pits to ensure that costly machinery is fully utilised.

The state-owned corporation is thought to be close to an agreement with the Union of

Democratic Mineworkers over flexible working. Local union officials at Cyn-

heidre supported the branch's decision because additional weekend working was considered essential to overcome geological problems. The south Wales NUM informed the NUM national leadership.

Mr Peter Heathfield, the NUM's national secretary, told the south Wales NUM that solutions to geological prob-lems were best left to local negotiations, and made no effort to reassert the union's national policy of opposition to flexible working.

Many of the 600 Cynheidre

miners are expected to transfer late next year to a drift mine being developed nearby. NUM officials believe British Coal could press the branch to agree to work the new mine on a six-day rota as a condition for keeping Cynheidre open until the new mine starts produc-



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15th August 1988.

Issued and proposed

UK NEWS

Fraud claimed over trade figures

By Charles Hodgson

THE LABOUR Party yesterday accused the Government of fraud in claiming that Britain's trade deficit was a "problem of

Mr Tony Blair, Lahonr's trade spokesman, said an anal-ysis of trade figures showed that foreign imports of cars and other consumer goods were the biggest cause of the most recent deterioration in the trading position and not imports of capital goods, as government ministers have

The current account deficit widened to £5.6bn in the first half of the year following a £1bn deficit in June. Internal Treasury forecasts estimate a full-year deficit of about

has insisted that the trade gap reflects the strength of the economy and that as the economy slows to a more sustainable rate, the gap will gradu-



Tony Blair: figures should

Lahour has maintained its attack on the Government's handling of the economy during parliament's summer recess, arguing thet Britain is locked into a vicious circle of worsening trade deficits, rising interest rates and inflation, and an over-valued pound.

The main conclusions of Labour's analysis, based on the latest Overseas Trade Statistics and the Monthly Review of External Trade, are that: Since the beginning of 1987 there has been an increase of more than £3bn in the current

account deficit on visible trade;
• The deficit on manufacturing has increased by £3.2bn over the same period;
• Capital goods imports have increased roughly in line with

other categories over the past 18 months but in the latest quarter the increase is less than that for cars and other consumer goods. According to Labour's analy-s, imports of cars increased by 13.5 per cent in the second quarter of the year, while other consumer goods increased by 9 per cent. This compares with increases of 10.6 per cent

and 4.2 per cent for intermedi-

Mr Blair said that the figures should serve as e "warning to all but the incurably compla-

ate and capital goods respec-

"Most of the deficit has noth ing to do with capital goods, but is spread right across our manufacturing sector," he said. "Cars and other consumer goods account for a larger part of the deterioration."

Mr Blair added that it was chameful that the balance of trade on capital goods had continued to deteriorate when Britain was a net exporter of these goods as recently as 1983 and when imports were coming from Britain's main competitors in the European Community, the US and Japan.

The analysis also shows that the invisible balance on services is stagnant.

Overseas travel had increased sharply and now contributed heavily to the defi-

cit. Mr Blair said.

Short-term funds 'are financing deficit'

BRITAIN'S current account deficit is being financed by short-term and speculative investment inflows, says a leading securities house in a paper released today. Shearson Lehman Hntton

disputes the Government's claim that the growing deficit is being covered by soundlysed. long-term investment flowing into Britain. Mr Tim Congdon, the paper's

author, analyses flows of funds in and out of Britain in the last 12 months.

He says that by far the most important inflows from abroad have been portfolio investment (in company shares, for instance) and inflows via the

claims on the UK are highly liquid and can properly be regarded as 'hot' money," he says. "It is very unlikely that these types of inflow will remain at recent levels indefi-

Mr Congdon says that the current pattern of investment flows is supporting the pound and financing imports of goods and services and the outflow of

investment from the UK. However, he warns that if bot money inflows were to become hot money outflows, the pound would come under downward pressure on the for-

eign exchanges.

He says: "It is not going too far to say that the UK's balbanking system.

"Most of the new foreign ance of payments and the ster-ling exchange rate, have

become dependent on contin-ued substantial inflows of hot

The peper estimates the amount of financing needed to cover the current account defi-cit and capital outflows in the 12 months to June was between £22bn and £23bn.
During this period, the UK is estimated to have had a cur-rent account deficit of about

To balance, this has to be matched by similar-sized inflows of capital from overseas investors. Mr Congdon says official data is unsatisfac-tory but makes estimates for the three main types of invest-

Portfolio investment in Gov-ernment securities is estimated

to have been about £2.5bn to

Inflow via banks and build-ing societies is estimated to

Mr Congdon says the pattern of portfolio investment inflows, excluding government securities, in the year to June was in "stark contrast" to the early 1980s. Then, the UK made large net portfolio investments in

foreign stockmarkets.
"It remains to be seen whether the UK will revert to its traditional status as a sub-stantial portfolio investor abroad but there is no doubt

have been about £11bn and portfolio investment in private sector instruments, such as equities, about £9.5bn to £11bn.

that the inflows of the last year are unprecedented."

NOTICE OF REDEMPTION

To the Holders of

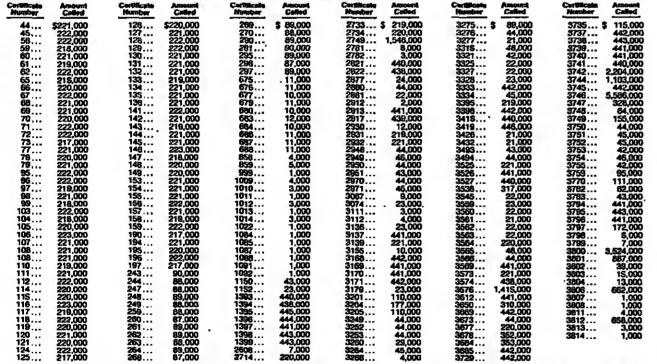
A/S Eksportfinans

13%% Sinking Fund Debentures Due 1992 CUSIP No. 282645AA8*

NOTICE IS HEREBY GIVEN, pursuant to the provisions of the Indenture dated as of Jnne 15, 1982, as supplemented (the "Indenture"), between A/S Eksportfinans and United States Trust Company of New York, Successor Trustee (the "Trustee"), that \$60,000,000 principal amount of A/S Eksportfinans 13%% Sinking Fund Debentures Due 1992 (the "Debentures") has been selected by the Trustee for redemption on September 1, 1988 et a Redemption Price equal to 100% of the principal amount thereof in accordance with the Sinking Fund provided for by the terms of the Debentures and as specified in Section 1203 of the Indenture. The following are the serial numbers of the Debentures which will be redeemed in whole or in part:

> tificate numbers of the Bearer Bonds in the principal am \$5,000 bearing the prefix C to be redeemed in whole:

2040 2049 2058 2052 2070 2076 2082 2091 2087 4004 4009 5938 5945 2042 2050 2059 2064 2072 2079 2086 2083 2100 4008 4012 5940 5947 2043 2052 2060 2067 2074 2080 2067 2035 4001 4007 5025 5941 5860 The certificate numbers of the Registered Bonds in the principal amount of unlimited bearing the prefix R to be redeemed in whole or in part:



Subject to the receipt of required funds by Bankers Trust Company, the Debentures or portions thereof so designated for redemption will become due and payable, at 100% of the principal amount thereof, upon presentation or surrender thereof, on or after September 1, 1988 at the office of Bankers Trust Company. Corporate Trust and Agency Group. Equity Finance Products Division. 123 Washington Street, First Floor, New York, New York. If by mail, the Debentures should be sent to Bankers Trust Company. Corporate Trust and Agency Group. Equity Finance Products Division, P.O. Box 2579, Church Street Station, New York, New York 10008 or in either such case to Bankers Trust Company, London, subject to any applicable laws or regulations in the country where the office is located.

On and after September 1, 1988 interest on the Debentures or portions thereof so designated for redemption will cease to accrue. Payment of the registered interest due September 1, 1988 will be made in the usual manner. Redeemed bearer Debentures should be presented with all coupons maturing after September 1, 1988. Coupons maturing on September 1, 1988 and prior thereto should be detached and surrendered in the usual manner, Upon presentation for redemption of Debentures which are to be redeemed in part only as above specified, e new Debenture of said 18%% Sinking Fund Debentures Due 1992, of a principal amount equal to the unredeemed portion of each such Debentures, will be issued in 1992.

A/S Eksportfinans By: BANKERS TRUST COMPANY, as Administrative Agent of United States Trust Company of New York, the Trustee

Dated: August 1, 1988

IMPORTANT TAX INFORMATION

Please read this notice carefully

Under Federal income tax lew, paying agents may be required to withhold 20% of payments to holders presenting their securities for redemption or for payment at maturity if such holders have failed to furnish a tax payer identification number to the Paying Agent certified to be correct under penalties of perjury (or that such holder is awaiting a taxpayer identification number). Certification may be made to the Paying Agent on a Letter of Transmittal obtained from said Paying Agent, which should be completed and returned with the called securities.

*This CUSIP number has been assigned to this issue by Standard and Poor's Corporation, and is included solely for the convenience of the Debentureholders. Neither A/S Eksportfinans nor the Trustee shall be responsible for the selection or use of this CUSIP number, nor is any representation made as to its correctness on the Debentures or as indicated in any redemption notice. **CBI/FT DISTRIBUTIVE TRADES SURVEY**

Retail sales growth beats expectations

By Raigh Atkins, Economics Staff

RETAIL sales growth in July beat expectations and retailers are more optimistic about sales in August than for any month

since December 1986.
The Confederation of British Industry/Financial Times distributive trades survey, published today, shows 68 per cent of retailers said sales volumes in July were higher than in July 1987. Only 10 per cent reported falls.

Of the 288 retailers questioned, 65 per cent said they expected sales in August to be higher than the same month a year earlier. Just 4 per cent anticipated falls.

This meant the balance of those expecting rises, minus those expecting falls was plus 61 per cent — higher than in any month since December any month since becemen 1986. It compared with a bal-ance of plus 57 per cant expect-ing increases in July.

The survey suggests there has been no reduction in the

exceptional strength of retail sales growth since the begin-ning of last year. However, the CRI said there was no sign of a significant acceleration in the

rate of increase.

Mr John Caff, economic director at the CBI, said: The greater purchasing power of consumers continues to be the main factor behind the recent improvement in husiness, as real personal disposable income is boosted by the Budget tax changes." ..

strength in retail sales has worried some City analysts who fear the exceptional growth is increasing inflationary pressures and sucking in

Department of Trade and Industry figures for retail sales volumes in July, to be published later today, are expected to show further strong increases into the second half The CBI/FT survey shows the balance of retailers report ing increased sales in July. compared with the same month a year before, was plus 58 per cent. This was unchanged from June but otherwise was the highest since 60

January.
Sales for July were thought by retailers to be not as good as in June but an improvement is expected in August For both July and August the sectors most positive about sales growth were grocers and retall-ers of household textiles, furniture and carpets.
A balance of plus 39 per cent

of retailers reported an increase in orders placed with suppliers compared with July 1987. This was greater than expected and compared with

plus 31 per cent in June.
In motor trading, a balance of plus 26 per cent reported sales higher in July than in the same month a year earlier.
However, the 65 motor traders questioned were extremely optimistic shout sales in August A balance of plus 76 per cent expect increases con-

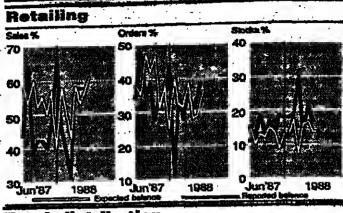
par cent expect increases com-pared with last August — the highest since the survey started in July 1983. Among wholesalers, July's growth in sales volumes was slower than expected but

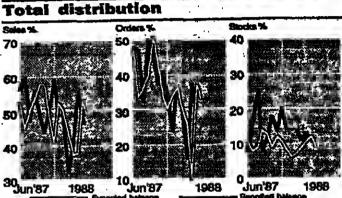
sined strong. A balance of plus 42 per cent reported Sole increases compared with the 70 same month a year before, against a balance of plus 57 per cent reporting increases in

A balance of plus 34 per cent of the 164 wholesalers ques-tioned anticipated sales 50 increases in August. This sug-gests there may be a further

slowing in sales growth.
Wholesalers of industrial
materials and huilders merchants reported the best sales

Jun'87 1988 Jun'87 1988 Retailing





Value of business travel market 'to rise rapidly'

By David Churchili, Leisure Industries Correspondent

THE BUSINESS travel sector - airlines, hotels, and car and rail travel - is likely to grow rapidly in the 1990s, according to a report published today by the Economist Intelligence

It suggests the value of the market will grow from \$300bn (£176bn) et present to more than \$400bn by 1995.

The volume of husiness travel — trips involving at least a night away from home

- is predicted to grow from the present 600m trips a year to 800m hy 1995.

The report points out that the international hotel industry depends heavily on business travellers, who account for 55 per cent of occupancy of the world's 10.6m hotel bedrooms and provide hoteliers

with \$75m in revenue.

Tokyo, at \$383 a day, is deemed the most expensive city for business travsllers.

London is the most popular with international executives. International Business Travel 1988; Economist Intelligence Unit, 40 Duke Street, London,

WIA 1DW; £175.

Tour operator plans £100 flight delay compensation *

By David Churchill

£100 each in addition to their holiday insurance, under plans announced by Redwing Holi-days, the UK's fourth largest tour operator.

Mr Vic Fetab, managing director of Redwing, which Europe, trades under the Enterprise. Mr Fatah said this summer's Sovereign and Summed names, said: "The image of Britain's tour operators has taken a

HOLDAYMAKERS who face apport delays of 12 hours or more next summer will be given extra compensation of suggesting holidaymakers received poor service from tour Commission survey showed Britons made more complaints about package holidays than those of any other country in

delays could end the operators price war: "Holidaymakers" tour operators has taken a overriding concern is to buy a handle this year and we holiday that fulfils expectations," he said.

Notice to Shareholders in

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concerning delivery of

DKK 46,898,100 Bonus shares

Delivery will take place during the period from August 19 to September 1, 1988. Rights will be traded from August 16 till August 29, 1988. 5 8-shares of DKK 100 each entitle the holder to receive 1 benue.

The bonus shares rank for full dividend for the 1988 accounting

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Seborg, August 1988 SOPHUS BERENDSEN AS



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To Holders of

InterFirst Texas Finance, N.V.

Guaranteed Floating Rate Notes Due May 1989 (Unconditionally guaranteed as to payment of principal and interest by IFRB Corporation, successor to InterFirst Corporation) CUSIP No. 458924 AA 5

NOTICE IS HEREBY GIVEN that the following Events of Default have occurred and are continuing under the Indenture dated as of May 10, 1934 among InterFirst Texas Finance. N. V. (the "Company"); InterFirst Corporation and Morgan Guaranty Trust Company of New York, as Trustee (the "Trustee"), as supplemented by the "Supplemental Indenture dated as of June 6, 1937 among, the Company, interFirst Corporation, IFRE Corporation (the "Guarantor") and the Trustee pursuant to which the above mentioned Notes (the "Notes") were issued:

(1) The installment of interest due May 16, 1988 on the Notes in the amount of U.S. \$1,687,500 was not paid and remains unpaid.

(2) On July 30, 1988 the Guarantor filed a voluntary petition under the United States Federal hankruptcy law.

On August 1, 1988, the Trustee declared the principal of all the Notes to be due and payable immediately to the extent it may lawfully do so.

MORGAN GUARANTY TRUST COMPANY

SAVE & PROSPER FAR EASTERN FUND S.A.

NOTICE IS HEREBY GIVEN THAT:

NOTICE IS HEKEBI GIVEN THAT:

1. The Directors have declared the payment of a dividend of US\$0.0015 per share in respect of the year ended 30th June 1988. In order to receive the dividend, holders of bearer shares must submit Dividend Coupon No 7 to the office of the Administrator, Save & Prosper (Jersey) Limited, PO Box 73, Queen's House, Don Road, St Heller, Jersey. Channel Islands, or to The Bank of N.T. Butterfield & Son Limited, Hamilton, Bermuda.

Payment of dividends against presentation or tender of dividend coupons will constitute absolute proof of the discharge by the Fund of its liability therefore.

2. The Annual Ordinary Meeting of Shareholders will be held at Thirty Cedar Avanue, Hamilton, Bermuda on 6th September 1988 at 12 noon for the following purposes:

a) To receive and consider the Report of the Directors and the Funncial Statements for the year ended 90th June 1968.
b) To appoint anditors at a rate of remuneration to be decided by the Directors.
c) To fix the number of and to elect Directors.

10 bx the number of and to elect Directors.
 10 approve the renumeration of the Directors.
 10 ratify the change in par value of shares in the Fund which followed the subdivision of shares by the issue of eight new US\$0.125 shares for each existing US\$1 share held at close of business on 30th June 1987.
 10 To transport our atheritance.

f) To transact any other business of an Annual Ordinary Meeting of Shareholders.

By Order of the Board F. CHESLEY WHITE Secretary

Dated: August 15, 1988

NOTICE OF EVENTS OF DEFAULT

OF NEW TRIES, or Trustee Corporate Trust Administration 30 West Broadway, New York, NY 10015 neution: Mr. Patrick J. Crowley, Vice Preside (212) 587-6027

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MANAGEMENT

ew Western multinationals have succeeded in creating the sort of organisational matrix that is needed to combine all the benefits of decentralisation (such as the high motivation of small teams, closeness to the marketplace, speed of decision-making and implementation) with those of coordination (such as maximisation of the company's scale and presence across its business units, its product markets, and its geographic territo-

This balancing act requires managers to report in at least two directions at once: either to both a functional chief and to a business unit boss, or to a geographic centre in one country and a global division or business unit in

attempts at "matrix management" have foundered on internal in-lighting and bureaucracy. The net result has been competitive aluggishness rather than speed; Philips, the Dutch electron-

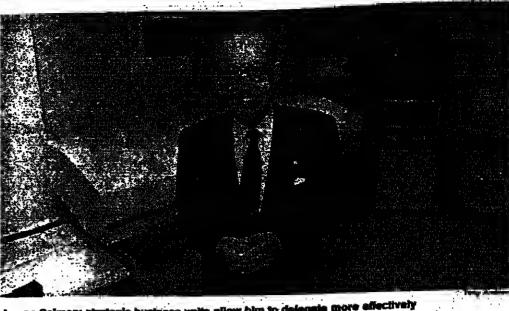
ics giant, is a particularly notorious Traditionally, companies have reacted to the difficulty of managing matrices - their own or other people's

- in one of two opposed ways. Some have centralised control over almost everything, as at Philips and Black & Decker, the US appliances

Others, like GE of America until a few years ago, have decentralised almost to the extreme, retaining barely

any co-ordination across divisions and business units, and precious little guid-ance — other than financial — from head office.

Most British electronics companies are still organised on a decentralised basis, a fact which is huming their global competitiveness, according to McKinsey & Co, the management con-sultancy. It says: "Decentralisation... has limited the scale of ambition to that of the units rather than the com-



Crosfield: a graphic example of an organisational balancing act

Christopher Lorenz explains how the medium-sized British printing systems multinational is attempting - where bigger fish have failed - to master matrix management

printing and publishing industries have never heard of Crosfield Electronics. Yet this medium-sized British multinational is trying to pull off a tough managemen trick which bss floored many famous global giants, from Philips to US General Electric. What Crosfield's managing direc-

tor, James Salmon, is attempting is orecisely the sort of organisational balancing act which his counterparts at the much better-known GEC. Plessey and Racal have this summer been attacked for shirking: the construction of a matrix struc-ture suited to today's global mar-kets, which combines considershie deceotralisation of the company's businesses with the benefits which flow from a fair degree of central co-ordination of strategy, technology, marketing and production.

In pitching for a workable combi-

nation of these apparent opposites, Crosfield possesses at least two obvious advantages over the likes of which have tried matrix manage-ment and, like Philips, suffered

Founded in 1947, and now part of the De La Roe group, Crosfield has fewer entrenched attitudes to overcome. With only 3,000 employees and revenues of £212m, it is also relatively small, although it exports 85 per cent of its output and is probably the most thrusting of three world leaders in the supply of computerised systems for the graphic, design, printing, news publishing and communications industries. These advantages are reinforced by Crosfield's remarkably open culture. Frank Bretherton, one of the many senior managers in the company with experience within at least one American multinational, says: "It's the most unpolitical place I've worked at." This openness was

crucial to the participative way in which the matrix structure was decided two years ago, and top man-agement jobs allocated, as well as to Crosfield's ability to resolve most teething troubles as they arise.

By 1986, says Salmon, the fast pace of Crosfield's growth - over 35 per cent a year for several years -had begun to slow its decision-mak-ing and to create various other "creaks and groans" in its tradi-tional functional structure. This arrangement, under which all managers reported to central depart-ments such as research and development, production, marketing, and sales, was finally rendered inade-quate when, in the second quarter of that year, Crosfield made a spate of acquisitions in the UK and US. "Suddenly, we were serving much

This openness was crucial to the way in which the new structure was decided

broader market segments," says Salmon. "We used to sit here st night saying how on earth are we going to structure ourselves?'. We needed an organisation that would handle not only these acquisitions, but more in future." Several have been made since 1986, the most recent being a small US design systems company this summer.

Apart from the need to keep Crosfield's product development in the closest possible contact with its var-ious market segments, and to speed decision-making, one of the many causes for concern was the growth in Salmon's own "span of control". Acquisitions had increased to 10 the number of directors reporting straight to him, which he considered excessive. "If you have a very broad, flat organisation and all the decision-making is coming up the line, you tend to become a bottle-neck," he argues. "I felt that by breaking up the organisation I'd be

able to delegate more effectively."

Given the many natural linkages between Crosfield's different businesses, a complete GEC-style decentralisation was never even considered. Instead, it was decided in September 1936 to go for an ambitious matrix consisting of five co-ordinated "strategic business units"

or "SBUs".

The die was cast at an extremely intense three-day meeting well away from Crosfield's headquarters in Hemel Hempstead, just north of London. Salmon's top eleven man-agers attended, to debate not only the company's organisational future but their own suitability for the various posts within it.

ious posts within it.

In essence, the meeting's analysis of the characteristics of Crosfield's businesses concluded that, to gain the greatest commercial effect, any subdivision of them must be market-focused; other companies have split themselves on the basis of product differences, so that several different people call on the same customer. It was agreed that the company should be broken into five market areas, Each would not only have profit responsibility, but its own product and marketing stratown product and marketing strat-

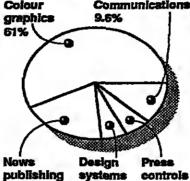
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For an enterprise which had not even operated simple profit centres with the exception of one product line - "it was a massive jump we were making," says Salmon. "The accounting systems involved would have to be enormously complex." An SBU structure was obviously facille for an easily constrained unit feasible for an easily separable unit; indeed, Crosfield's once-troubled Press Controls business had been operating in this way for almost two years, with spectacular results in terms of motivation, customer orders and profitability. For a set of

mon, especially engineering skills and shared products, it was a cost-lier exercise altogether, and far more daunting. But the meeting felt there was no viable alternative. Such was the atmosphere of the event that, by the end of it, the participants bad laid down a top-level structure which involved two members of the management

Crosfield's strategic

business units 1987-88 Communications Colour



committee voluntarily moving down a level to reduce the "span of control" problem. Salmon now has only half a dozen "direct reports". The new structure was announced throughout the company in February 1987. Implementa-tion began a year ago and is still continuing.

5.6%

17.4%

To encapsulate the workings of the Crostield matrix is far from easy. For one thing, it is three-dimensional; the five SBU directors share power and responsi-

businesses with much more in com- bility for sales and service with the office general managers in each of 10 countries; for product development, personnel and almost every other activity they share control with a set of functional departments at head office.

The picture is complicated further by the fact that not all the SBUs have the same range of direct authority. As director of Press Controls, Frank Bretherton has the broadest span: finance, strategy, marketing, sales and service, prod-uct development, and final assem-bly (though not component manu-

facture).

But Colin Jones, his counterpart at the latest and largest SBU, Colour Graphics, has direct control only over market and product strategy. At least for the present, everything else is what Crosfield cally reconsible. thing else is what Crosfield calls "matrixed": technically responsible either to the general managers in each country or to headquarters, but subject to the SBU's persuasion. Colour Graphics is unlikely to become a fully-fiedged SBU while it accounts for over half Crosfields revenues. Moreover, some product development is particularly difficult to senarate from the fundamental to separate from the fundamental development work for every SBU. In between these two extremes of authority lie the other three SBUs, which have varying degrees of con-trol over R&D and production, and only "dotted line" authority over sales and service, which is vested in

the country managers. "We have to manage through influence rather than direct line authority," says Colin Jones. "There are difficulties, but they're not had compared with Xerox" (one of his past employers).

Though Colour Graphics only

became an SBU last autumn, Jones can already detect the benefits of having a marketing team focused. on the needs of a particular set of

At the other end of the SBU spectrum. Frank Bretherton of Press Controls may have the greatest official range of authority, but he has had some teething troubles with the new system. The effective sharing of international sales responsibilities with country managers abroad did not work well at first, and some tensions have arisen because of lack of spare capacity at Crosfield's main production plant in Peterborough, which supplies his components. But he has personal connections with he has personal connections with managers at the factory "so it works all right," he says. That the matrix is a living, shift-

ing organism with a constant flow of new problems is evident from Salmon's changing view of the most sensitive issues of the moment.

Asked a few months ago to name

The fast pace of growth had begun to create various 'creaks and groans'

the key ones so far, he said country managers needed reassuring that they were still the prime movers in their market areas, and that "the SBUs are there to support them, not take over from them".

Crosfield's accounting resource had been under pressure. Salmon also cited three R&D items: budgeting was proving sensitive; separa-tion into specialised SBU develop-ment locations was as tricky as expected; and the introduction of "programme management" to co-or-dinate SBU development was badly

With the introduction of the SBUs, each of which has its own promotional literature, there had also been a danger of fragmentation

overcome by a major corporate identity redesign last year, together with a set of tight new design procedures for the SBUs. (These helped make Crosfield the joint winner of the 1987-88 FT/London Business School Design Management Awardsee this page, July 6.)

While some of these issues have already been resolved, others will take time to overcome. But Salmon now adds several more to his list, including the fact that he has just had to appoint several people to coordinate SBU relations with perticularly large customers. What he calls "a lot of other niggling little issues" have surfaced between the SBUs, including slight technical differences in criteria for software development.

To manage such inevitable tensions across the matrix, a quarterly meeting of SBU directors has just been instigated. Salmon had hoped that issues like these could be settled by his two deputy managing directors (one technical, the other commercial) "handing out edicts." as be puts it. Now he says "it doesn't work like that — we need a more participative approach."

As one of his colleagues says: "We keen stopping and checking To manage such inevitable ten-

"We keep stopping and checking the matrix equation, and recalibrat-ing it, rather than thinking we've found a magic formula — that's the

found a magic formula — that's the mistake the American multinationals have made."

Whether a matrix which relies on such a degree of collegislity and informality will still be workable when Crosfield has grown to several times its size is debatable. The Board considers that it would certainly be feasible with 6.000 people, and even 9.000, but not with 18,000. In the meantime Salmon admits that "there is a cost in operating the matrix." but says this is more than offset "by the sharper profit focus and market orientation which the new structure has created." of Crosfield's corporate image in the minds of its customers. This was the new structure has created."

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TITI	DEM			177

- The Alfred Bernnore Holiday Home for Handicapped Children The Turbo Wheelchair Appeal for severely handicapped Children The S.F.H.C. Musical Instrument Appeal
- The Peter Hypes Adrenoleukodystrophy Research Fund The Sister Ann "Lloundes Fund" Appeal
- The Genetic Unit, Great Ormond Street, Hospital for Sick Children The "Special Schools" National minibus Appeal
- The Sponsors Fund for Handicapped Childrens Olympics at Cleethorpes 1988 The Childrens Library Fund St Bartholomew's Hospital Childrens Cancer Appeal The Handicapped Childrens Christmas and Pantomine Fund Friends of Enfield Work Centre

The Outdoor Mobility Fund Electric Wheelchair's Appeal

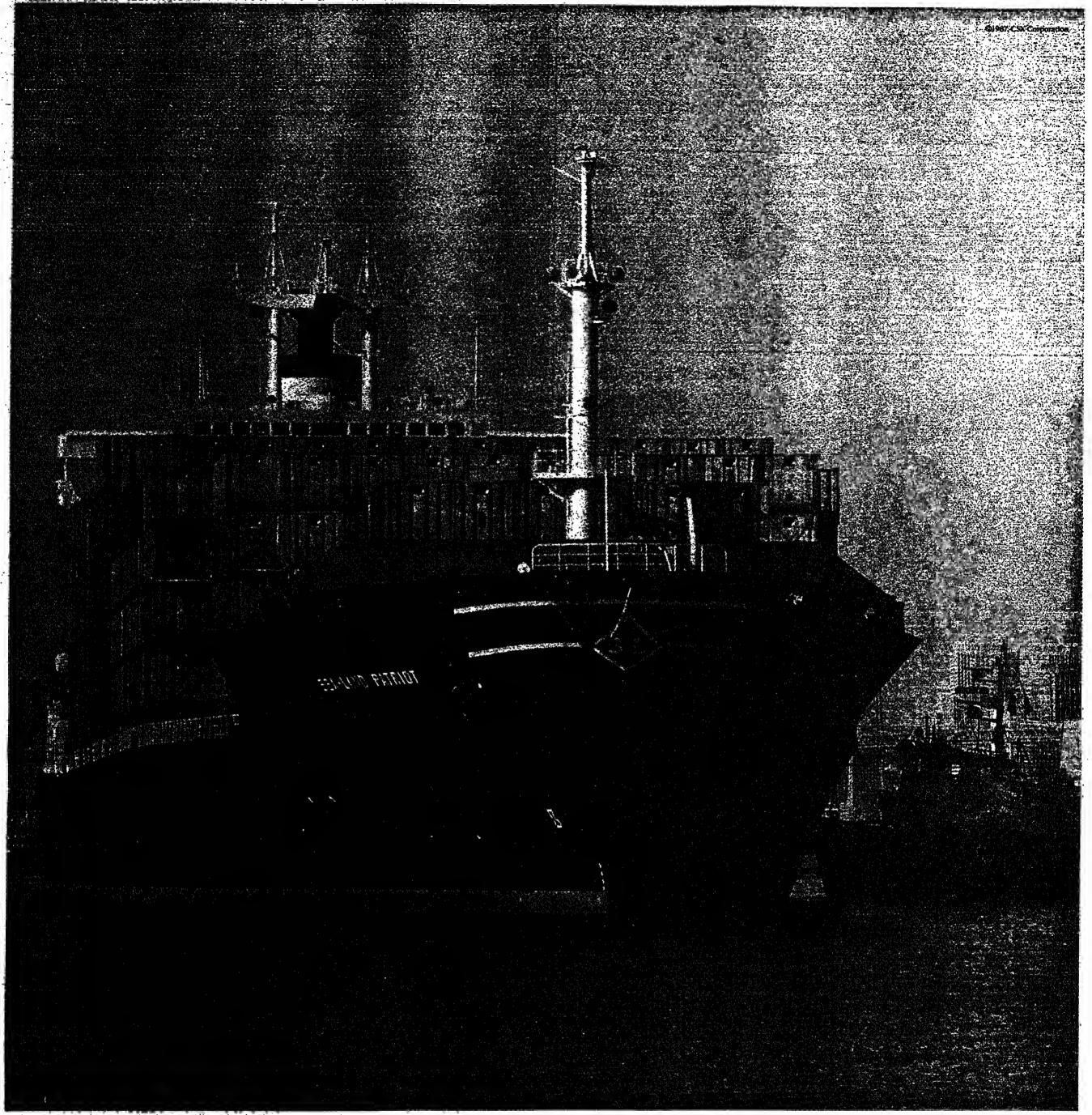
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Sea defence

KIER NORTH EAST has been awarded contracts worth over flom. Civil engineering projects include a sea defence contract at Whitby (£2.94m) for Scarborough Borough Council; strengthening the foundations of a cooling tower at Cottam power station (£1.1m) for the CEGB; reconstruction of a bridge at Copmantborpe for British Rail; and a bridge replacement for Bradford M.B.C. at Ilkley. Building con-tracts include a regional distribution warehouse for ICI paints division (£2.8m) at Goole, two contracts for York Health Anthority at Acomb, including handicapped accommodation and a community centre; further contracts for eeds Eastern Health Authority; and alterations to BBC headquarters in Leeds.

and construct project for Abbey National Homes and the Liberal Jewish Synagogue. The joint-venture project involves the construction of a

synagogue, both in Portland stone, will be retained. The seven-storey flats will radiate from the synagogue. Mowlem is scheduled to hand over the synagogue shell to a specialist

CONSTRUCTION CONTRACTS

St Johns Wood Synagogue

fitting out contractor in Octo-ber 1989. The entire project is due for completion in June The company has started work on a £3.5m refurbishment of Brooke House School in Hackney for ILEA. It has also been awarded a £1m contract by the Swanmill Paper Co in Swanley, Kent. The factory extension is due for completion in spring 1989.

At Ravenscourt Place, We

Mowlem has been appointed to complete six luxury flats for Abbey National Homes. The project, valued at \$325,000, will last 20 weeks.

Transformation project at Falmouth

Following its completion of the Lands End Heritage development last month, E. THOMAS CONSTRUCTION, the West Country division of Mowlem Regional Construction, has signed a second contract with Land Leisure - the Port Pen-dennis Development Scheme.

Among contracts, totalling £13.5m, awarded to MOWLEM

BUILDING is a 19.5m design

synagogue and 46, high-secu-rity, luxury flats in St Johns

Wood Road, opposite Lords cricket ground. The portico and facade of the 70 year-old

The project will result in the transformation of a derelict waterside site at Bar Road, Falmouth, into a residential, shopping and recreational area.

The civil engineering works contract is valued at \$4.5m. It involves construction of 450

an impounded marina basin and a hydraulically operated half-tide lock gate. A further 250 metres of sheet-piled wall will enable 1.3 hectares of land to be reclaimed from the sea for the house-building con-

Maritime experience

Additional areas are being reclaimed for a maritime lei-

1,656 tonnes.

Building includes 213 luxury homes, a harbourside promenade, shops, restaurants, a maritime experience centre and service roads, parking, and landscaping. All the residential units will have concrete piled foundations and will be of traditional construction with a mixture of external finishes.

The civil engineering works have started and are due for completion by the end of the sure experience centre and a slipway for the RNII. A total of 3,422 sheet piles are to be driven with a total weight of

Moat Houses projects

WEBB (CONSTRUCTION), a steel-framed metal and con-Romford, has received orders worth £6m for two projects from Queens Most Houses. The major scheme, in Romford town centre, is a £5.6m office block of 100,000 sq ft over five stories on a design and build contract. The block consists of

crete deck with traditional facing brick and curtain wall clad-

· The second scheme is for 28-bedroom extension, and alterations and extension to conference facilities at Leices-tershire Moat House Hotel

Spread of work for Douglas

R. M. DO U.G. L. A. S. ment, as well as office facili-CONSTRUCTION has been awarded contracts totalling Standard Life Assurance has over £23m. At Learnington Spa work has begun on a super-store. The contract, valued at £7.27m, includes construction of the store, petrol filling sta-tion, coffee ehop, ancilliary retail units and external

Following the phase I build-ing of a shell warehouse for Tesco in Didcot, Oxfordshire, Douglas has won a £6.8m contract for phase II, to fit out the temperature-controlled com-posite distribution centre. The 2,000 sq metre building will be divided into sections of frozen, cold chill, chill and ambient areas. There is a plant room to contain the refrigerator equip-

awarded Douglas a £2.25m con-tract to fit out high technology shells at Oxley Pavilions, Wat-

Following projects for exhibi-tion consultants, Imagination Douglas has won two further contracts totalling £5.1m in Northampton and London.

Douglas also continues its relationship with MacDonalds Hamburgers with two con-tracts totalling £2m to build MacDonalds Freestander restaurants at Aylesbury and West Thurrock. Construction which in both cases consists of a simple steel frames and brick and curtain cladding, will be completed by December.

DIARY DATES

FINANCIAL

BOARD MEETINGS Oceanics Regentered Interime; Edichurgh Fin, Tst. Noble & Lund Richardson Westperth

Angle American law. Tel. 8% Com. Pri. 1,48513p ne 2.50

Anglo Leesle Asprey 3.5p Asprey 3.5p
Beckenham Group 1p
Bosse Messirm Pritin 5.75p
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Strometick Corp. 11cts.
Cator Group 10.5p
Capital Verteble Race 1990 2ps.
Calestion Inda. 1p
Chase Manhattan 54cts.
Chicalin Group 1.5s

ore Group, Nilton Hotel, Park Lane, W., 11.00 over Evane lava., Great Eastern Hotel, Liverpool Street, E.G., 12.00 and 8 Stropson, Fosse Way, Syston, Leicester, 2.30

DARD MEETINGS

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WEDNESDAY AUGUST 17 WEINVESONY AUGUST 17
COMPANY MEETINGSInvestment Co., Fairfast House, Pulwood
Place, Cirry's Inn. W.C., 12:00
Knobe & Knockers, Holiday Inn. 128, 180g
Herry's Road, N.W., 11:00
Logbist, 1, King Street, Manchester, 12:00

BOARD MEETINGS

rest 7,550

place (hyr.) (Are

DANDEND & INTEREST PAYMENTS

Dritter 11.30

HOAND MEETINGS-

British Telecom Catale's Hoge. Clarks (T.) Cons. Terry Inv. Johnson Group Cleaner Liberty Life Assoc. of A North Midland Construc-* (G.B.)

DIVIDEND & INTEREST PAYMENTS

FRIDAY AUGUST TO NY MEETINGS-

COMPANY MEETINGS-upbell & Arnstrong, Porting Thistie Hotel, Perfand Swet, Manchesser, 12.01 gmorsh & Burchstl Migml. Sanstone, 52.01 Conference Pacifity, Centre Point, 100 New Oxford Street, W.C., 4.00 raton, Thompson & Everatied, The Abbie Brobnell Road, Burton-on-Trent, 12.00 orthis R.W.), Darham May, Apolitic Index Irial Estate, Newton Ayolitic, Co. Du

BOARD MEETINGS

Property & Internett Payments
BPB Inda S.Sp
Beachern Group B.7p
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Do. Beries 1 Pg. 12cis.
Colorvicion 2.8p
Derman Black. 1.5p
Erme of Leeds 3.5p
Halms 1.000p
ALP Group 2.1p
Loydestrat Gilt Fund Pg. Red. Prl. 28p
Marany Common Market Tit. Pig. 75p
Monks & Crape 2p
Monks & Crape 2p Lloydsmat Git Fund Fi Hercury Common Merin Mooks & Crane 2p ICZI Corps. NCSL065 New Zealand Fing. Rale Northern Fouds & Zig Pitkington & Zig Priversorsen Itali. 2.5p Welpac D.Sig Woolwich Egolistice Bid Woolwich Egolistice Bid

BATUPDAY AUGUST 20
DIVIDEND & MITEREST PAYMENT
CAMPAINT 18.75cm.
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Security Facility Corp., 45cm.

SUNDAY AUGUST 21 NO & INTEREST PAYMENTS Arrow 0.8p secsor 101₂ % 1907 81₄pc. sury 10% 1902 Spc.

Trade Fairs and Exhibitions: UK

Gifts Fair (until August 15)(0395 272010)

Home Entertainment Dealer Show - HEOS (021-780 4171) NEC, Rirmingham August 18-21 Antiques Fair (0444 459917)

Kensington Town Hall August 21-24 International Jewellery Exhibition (0935 20721) Business Design Centre August 27-29

Town and Country Festival

MAB (01-487 8754)

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May.

September 11-14 Gifts West (01-637 2400) Bristol Exhibition Cantre

September 18-24 British Marine Industries Federation International Boat Show(0708 737400)

September 27-29 Water and Environmental Management Exhibition and Conference (01-637 2400)

Crystalware, Chins, Ceramics, Jewellery, Giffs and Furnish-ing Articles Exhibition - EURO-

Building and Construction Exhibition CONBUILD

September 7-9 International Autumn Fair

PACADO (01-434 1835)

September 6-10

(01-977-4551)

Overseas Exhibitions

Angust 16-18 Fashion Week 01-987 8050) Tel-Aviv Nordic Fashion Fair (01-486 Office Equipment, Technology and Computer Systems Exhibi-

August 30-September 1 Traffic Engineering and Road Safety Exhibition - TRAFFEX

(01-686 3956) September 1-6 International Machinery, Fac-

tory Automation & Electronic Technical Exhibition - MECT-ASIA (0494 729406)

International Autumn Fair

International Autumn Fair (Zagreb 41/511-666) September 13-18 International Motor Car Work-

shop, Service Station Equipment and Auto Spare Parts and Accessories Trade Pair

Employment Research Unit

annual conference : New forms of ownership — management and employment (0222-12588) Cardiff Business School

The Industrial Society: Har-monisation — A one-day semi-

nar to examine the principles

and practice of harmonising terms and conditions of

3 Carlton House Terrace,

London SW1

employment (01-839 4300)

September 16

Business and Management Conferences

September 14-15

Angust 30,31 and September 1 Financial Times Confrences: Commercial aviation to the end of the century - Expansion in an era of accelerating change (01-925 2323) Hotel Inter-Continental.

London September 8-9 CBL increasing your sales to the Ministry of Defence (01-379 Centre Point, London WC1

September 8-9 The Industrial Society: Indus-trial relations for new managers (01-262 2401) Central London

Channel Tunnel Conference: Chamel Tunnel - make it your business (0904 653656)

Viking Hotel, York September 12 CRI/Marketing Society: Master-ing the market (01-379 7400)

Centre Point, London WC1 September 13 CRI Conferences: European standards — Who needs them? (01-379 7400) Centre Point, London WCI

Hawksmere: Insurance aspects of property investment and development (01-824 8257) London Press Centre September 21-23 International Chamber of Com-

merce: Investing for growth -opportunities in worldwide deregulation trends (Paris (1) 45.62.34.56)

The Institute of Chartered Accountants: The 1988 Industrial Tax Conference (0908

Holiday Inn, Leicester

Anyone wishing to attend any of the above events is advised to telephone the organizers to ensure that there have been no changes in the details published

FINANCIAL TIMES CONFERENCES COMMERCIAL AVIATION TO THE END OF THE

CENTURY London, 30, 31 August & 1 September 1988

The accelerating pace of expansion in commercial aviation worldwide and the impact this will have on all the existing facilities for the rest of this century will be the subject of the Financial Times latest conference to be beld in London on 30, 31 August & 1 September, 1988 just before the Farnborough International Air Show. Speakers will include Mr Peter Sutherland, Sir Colin Marshall, Mr Thomas Plaskett, Dr Günter Eser, Mr John Hayhurst, Mr Jim Worsham, Mr Stuart Iddles, Mr Sydney Gillibrand, Mr Selwyn Berson and Mr Lee Kapor. The guest lunch speakers will be The Lord Brabazon of Tara, Parliamentary Under Secretary of State for Transport and Mr Matthew Scocozza, Assistant Secretary for Policy and International Affairs. US Department of Transportation.

THE FT CITY SEMINAR London 19, 20 & 21 September 1988

The seventh FT intensive seminar to be held once again at the Plaisterers Hall, the highly successful venue for this prestigious training programme, presents a valuable opportunity for young executives, trainees and others to examine the structure and functions of the main institutions and markets of the City of London. A high calibre panel of speakers traditionally takes part in this Seminar and September's line up include Philip Warland of the Bank of England, Christopher Johnson of Lloyds Bank Plc, Ian Morison of Midland Bank plc, John Atkin of Citibank NA, David Suratgar of Morgan Grenfell & Co Limited, Francesca Edwards of J P Morgan Securities Ltd, David Malcolm of Royal Insurance plc, Peter Rawlins of R W Sturge & Co, The Rt Hon John Smith, QC, MP, Shadow Chancellor of the Exchequer and John Plender of the Financial Times. Chaired by Marc Lee, the FT Conference Adviser, the seminar presents numerous prestigious training programme, presents a valuable Plender of the Financial Times. Chaired by Marc Lee, the FT Conference Adviser, the seminar presents numerous opportunities for those who attend to question speakers and debate with them. Attendance has extended internationally over the years, and the programme is most suitable for foreign participants who wish to make as comprehensive a study of the City as possible in three **ELECTRONIC FINANCIAL SERVICES**

London, 20 & 21 October 1988

The FT sixth conference on Electronic Financial Services will look at the way new technology is being used to extend retail financial services for both traditional and new financial services providers. It will examine the need to develop systems for more effective management reporting and systems which treat customers as individuals rather than as a series of account numbers,

This two-day conference will be chaired by Mr Jacques De Keyser and Mr Gene Lockhart and brings together a distinguished panel of speakers to lead the debate.

All enquiries should be addressed to:
The Financial Times Conference Organisation.
2nd Floor, 126 Jermyn Street, London SWIY 4UJ
Tel: 01-925 2323 (24-hour answering service)
Telex: 27347 FT CONF G Fax: 01-925 2125

Three listed cottages at the former Bryant & May match factory in Fairfield Road, Bow, London, are being converted by R. MANSELL into ten flats, intended mainly for first-time buyers. Another three cottages, still occupied, will be refurbished. The project is part of a £30m re-development scheme for the factory site, which has lain vacant since closing in the early 1970s. To be called Bow Quarter, there will be leisure and retail facilities, and more than 600 bomes. The cottages, built in the 1870s, are being gutted, then converted into flats — eight one-bedroom, one two-bedroom, and one studio. External architectural features will be retained. Work has started on the £450,000 contract for Kentish Homes, and is due to be completed in April 1989.

We FOX MILTON & COMPANY LIMITED registered office - 71/73 Cirrler Lane, London ECAV SEQ

2. The Debtor is justly and truly indected to us in the aggregate sum of \$18,628,27 being the agreed sum due to your Petitioner for stocks and shares purchased and sold for the Debtor in December 1985 namely \$16,000 and interest thereon of \$282.27 from 18 February 1986 to 19 May 1986 in secondaries with the Order of The Honourable Mr. Justice Drains dated 18 February 1985.

A. On 19th May 1985 Judgment was obtained in the High Coart of Justice, Queens Bench Division in an action the short title and reference to the record whereof is Fox Milton & Company Limited --- Thomas John Rise Number 1905 F No. 1527 in the sum of \$18,628.27 following which execution was issued at the High Court respect of the debt and on the 27th May 1988 the Shartli made a return to the effect that the execution was unsatisfied as to the whole and the above-mentioned debt represents the anough by which the execution was returned unsatisfied.

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Friday 23rd September 1988

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JONATHAN WALLIS

or write to him at:

Bracken House, 10 Cannon Street London EC4P 4BY.

FINANCIAL TIMES

REINSURANCE

Financial Times proposes to publish a Survey on the above on

5th September 1988

For a full editorial synopsis and advertisement details, please contact:

D REED & **B KELAART**

on 01-248-8000 ext 3461 or 3266

or write to them at:

Bracken House, 10 Cannon Street London EC4P 4BY.

FINANCIAL TIMES

Company Notices

12

Nordisk Gentofte A/S

The Annual General Meeting of the Company will be held on Tuesday, the 23rd August, 1988 at 4.00 p.m. at the Auditorium, 6, Niels Steensensvej, Gentofte,

AGENDA: 1) Presentation of the annual accounts, including profit and loss account and balance sheet, with the annual report and auditors' certificate, with proposal for adoption of profit and loss account and balance sheet, and notification of discharge to the Board of Directors and Management.

2) Proposed resolution concerning application of the profit of the past year, including decision concerning dividend. 3) Proposed resolutions by the Board of Directors or any resolutions proposed by the Shareholders.

Further details below. Election of members to the Board of Directors. Election of two auditors. 6) Miscellaneous.

up to ten per cent of the Company's share capital at a price between 90 and 110 per cent of the officially quoted price at the time of acquisition. Such power expires on the 31st December, 1989. Admission cards and voting papers are available at Den Danske Bank, Fondsnoteringen, 12, Holmens

Kanal, DK-1092 Copenhagen K, against proper identi-

Under item 3 of the Agenda, the Board propose that the General Meeting empower the Board to acquire

fication as specified in section 12 of the Articles of Association up to and including the 16th August, 1988. The dividend as approved at the Annual General Meeting will on August 30th, 1988 - after deduction of tax - be transferred to the accounts specified by the Shareholders having registered the shares at the

Danish Securities Centre. Gentofte, July 1988 signed by The Board of Directors

Rentals

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Legal Notices

Re: THOMAS JOHN RAZ

Petition the Court that a Bankrupky Order may be made against: THOMAS JOHN RAE of the Manna, Standourne, near Halsteed.

and say as follows:

1. The Debtor has for the greater part of alt months immediately preceding the presentation of the Peetion resided at The Manso, Starsbourne, rear Halatted, Esses

The above-mersioned debt is for a liqui-dated sum payable immediately and the Debtor sppear to be unable to pay it.

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Saturday Further details

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ARTS

ARCHITECTURE

Bright ideas for the new metropolis

ish Architecture and the City - is full of ideas and is thoughtful as well as amusing. The show is at the institute of Contemporary Arts in London and is part of a season of archi-tecture and design sponsored by Chair Design Associates rich runs until the beginning

six British architects to look at the design problems of the modern city. All of them are known for their innovative work and most are more The brief was broad, asking designers to consider the impact of the less tangible developments in city life, such as information systems, com-munications, and the com-puter. These newer elements have their infinence, hat I think it is also fair to look to architects and designers for tangible visions — both to inspire and to warn us about the future shape of city life.

1

Conference

HENTER

Nigel Coates and Doug Bran-son are the brightest and best architects in the exhibition. They have called their submis-sion The City in Metion, and it is a consideration of imaginative possibilities for the huge Kings Cross transport inter-change. Nigel Coates has, until now, been best known for his now, been best known for his interiors, mostly carried out in Japan, and for his promotion of the idea of a more narrative approach to architecture. He is, in my view, one of the most talented designers around and — unusually for an architect he actively encourages younger British artists to con-tribute to his schemes. He has

almost Baroque tastes laced with more than a dash of Gaudi. It is strong meat and sometimes appears almost cha-otic, but it is also rich and Because Kings Cross is likely

to be one of the major Channel Tunnel terminals, this scheme highlights the European possi-bilities. Coates christens the place "Kurofields" and sug-gests a "blistering electronic countryside," surrounding a shopping broadway with com-mercial embassies from all the European countries. To turn St Pancras Hotel into a large duty-free Harrods seems an entirely logical piece of lateral thinking. At the northern edge of the site a Gotbic casbab looks over a landscape composed of butter mountains and wine lakes. I am sure that the wine lakes. I am sure that the developers of Kings Cross should be including some of Nigel Coates's ideas, and the clash of his baroque thinking with the smoothness of Norman Foster's plan can only be man Foster's plan can only be beneficial.

Ron Arad, like Coates, is from London's Architectural
Association and has just won
the prestigious commission to
design the interior of the Tel
Aviv Opera House. He runs a
design office and workshop called One Off. His entry to this exhibition is the most cryptic and least interesting. A sculptural welded metal staircase stands in front of an illu-minated wall: it says nothing about metropolitan possibilities but quite a lot about designer indulgence.

Another design unit that hes grown out of architecture is Future Systems, a firm based in London and Los Angeles. They have produced a superbly engineered landmark: a tower for the second millenium to stand in the centre of Hyde



A landmark tower for the second millenium, designed by Future Systems

Park. It looks like a huge giraffe standing some 500 metres high. At the top is an observation platform with restaurants and bars. Future Systems is a think tank for the application of design to indus-try and science, and this project is entirely feasible — indeed British Telecom is

Daniel Weil and Gerald Tay-lor are product designers from the Royal College of Art stable. One of their best known products is the bag radio - a clear, plastic bag that exposes all the working parts of a transistor. They feel that the motor car is the one pe and turn them into spare rooms? A planners nightmare and probably a passport to the shanty town, but undoubtedly: thought provoking. The draw-ings of the sewing machine, the gym and the DIY equip-ment all sitting in the car do have an appeal, especially to anyone who has to operate in a

confined urban space.

Another kind of interior is Another kind of interior is the wall of cupboards designed by John Pawson and Claudio Silvestrin. They feel that we lack free space in the city and so have produced a white wall of doors — open each one and there is a black and white photograph of one of the assertial. tograph of one of the essentials of life. This is a contrived con-ceptual exhibit that overstates the obvious. We know that we all need space. The point is that we all need different

spaces, and some lives are more cluttered than others. The inhumanity of this white

There is nothing white about the work of the architect Zaha Hadid, whose colourful three Hadid, whose colourful three dimensional construction is like being inside a Russian Constructivist painting. Her work is always the same – the clashing planes, the vivid colours, the sharp angles. She is really a derivative painter and this work shows the limits of this work shows the limits of an endlessly repeated single

The ICA exhibition will end in a conference which looks like a predictable mixture of Anglo-American architectural gurus. The danger of such events and of exhibitions such as Metropolis is that the ideas are simply chewed over by an incestuous group of professionals. It is developers and the public who should be conferring with architects and designers to answer that the igners to ensure that the building boom does not just continue to erect the ideas of

MAt the Royal Academy from Tuesday August 16 until the end of the month 100 contemporary architectural mod-els are on show. Everyone likes models, and these range from dolls houses to the Great Model of St Paul's. This is a free summer treat promoted by the Association of Consultant Architects and is a tribute to the skills of the model maker as well as an intriguing archi-

Colin Amery

Man of the Moment

STEPHEN JOSEPH THEATRE IN THE ROUND, SCARBOROUGH

It is all too likely that a convicted thief should endear himself to the great British public, all too feasible that he should become a media pundit, a cross between Parkinson and Jimmy Saville, all too probable that he should live in luxury, tended by suave managers and courted by snave managers and courted by ambitious TV directors. And all too consistent that a bright BBC lady should arrange a meeting after 14 years between this ex-thug and the wet little bank clerk who "had a go", causing the raider's shotgun to blast the face of a pretty sirl hostage. a pretty girl hostage.

This is Alan Ayckbourn ter-ritory, bristling with such familiar landmarks as social embarrassment, bullying bru-tality confronting ineffectual decency, the bilariously inade-quate language of the English under emotional pressure, and sudden death. Not since Way Upstream has the vision of society been blacker, the bunour more sardonic (A society been blacker, the bumour more sardonic (A Small Family Business is a cheerful farce in comparison). Not for some time has Ayckbourn produced such a compact, tightly-constructed play. Never has be looked more likethe Ben Jonson of the Welfare

Ex-criminal telly star Vic is

Biggs, the affable media cockney of Derek Jameson (well, almost) and the ingratiating bonhomie of Bruce Forsyth. It soon emerges that he is a viciously unkind autocrat with a tendency to sanctimonious with rabbity earnestness. "An ear's not the same as an eye," snaps Vic. The bouse rocks with laughter until suddenly realising the crueity that Ayck-bourn has insidiously per-

in a masterly unravelling of the plot the author leads us to chortle at the descriptions of the little man's dottily neurotic wife with her dislike of going out and being stared at, a run-ning gag until we casually learn she is the mutilated hoslearn she is the mufflated hos-tags. Ayckbourn's comedy increasingly manages to freeze the smile on our lips; doffing the jester's cap the clown reveals horns. To the play's hasic paradox — that a Press-acclaimed bero can be forgot-ten and his life run feether and the villain achieves fame and wealth - is added the irony that virtue is unattractively

suaded us to accept.

solemnity of suburban weedi-ness. This is brilliantly personified hy Jon Strickland who bridles, gawps and flinches fat-nously through what, we slowly realise, is the admirable philosophy of a good man. The violent climax reveals Ayck-bourn as an almost religious painter of cruelty versus inno-

He directs his 35th play impeccably on Michael Holt's sunny villa set, complete with crucial swimming pool, and produces heantiful perfor-mances. Lesley Meade, riddled with guilt at her husband's misdeeds, conveys inner agony through deathly, smiling politeness and faltering euphe-misms; Simon Chandler, the star's languidly fastidious agent, has never been better; though not quite in focus as a TV narrator, Lynette Edwards is spot-on when bossing the camera-crew or patronising her

The evening belongs to Mr Strickland's stiff Lowry-figure, the stilted little man with no strong visws on anything except perhaps evil. "It's often hard to recognise but there's a lot of it about." There is, there is; and Alan Ayckbourn is the joking Manichean prophet of

Martin Hoyle



Peter Laird in Man Of The Moment

Where Elvis meets the Presbyterian Ladies College.

clement volatility – blue skies, squalls of wind, sudden show-ers – the 42nd Edinburgh Feetival swung into action over the weekend with African drummers in Princes Street and a cavalcade that included representations from the Elvis Presley Fan Club and the Preshyterian Ladies College of Perth, Australia.

Crowds seem to be higger than ever. Traffic is moving so slowly through the West End that drivers and passengers can be conveniently leafleted by fringe publicists as they swing round into the Lothian Road.

starts tonight, but the fringe is already offering a cornucopia of activity, 473 companies have already taken nearly £160,000 at the Box Office, £30,000 more than at the same time last

Crowds flock to one-man shows. I prefer it when shows flock to one-man audiences.

day night as the Festival Thea-tre of Southern California launched its thirteenth Edinburgh season out in darkest, rainswept Morningside, and your correspondent assumed the awesome theatrical responalbility of lone witness and judge, a role I quite like. More of that later. Mean-

while, the mecca of new writing remains the Traverse, no longer a club and just celebrating its silver anniversary, marked with a splendidly hudd and admirably researched history by Joyce McMillan. In her final season as artistic director, Jenny Killick has assembled an attractive programme of local and international fare.

Alexander Gelman (b. 1933) is one of Mr Gorhachev's favourite dramatists. A Man With Connections was written in 1982 but is clearly a comedy for the age of glasnost and perestroika. It was first per-formed here on BBC Radio in Andrei Gladkov, the corrupt construction site manager whose carelessness has caused the accident in which his son lost both his hands. Repeating the role, Paterson

goes to the very edge of black humorousness, energetically devious and calculating in a raincoat and pork pie hat, rather like a seedy comedian. Bureaucratic shenanigans are inextricably entwined with the domestic unease between the Gladkovs (Marty Cruickshank is the stone-faced stone-wallis the stone-faced, stone-walling wife). After ten months in hospital, their son is coming home. The marriage is on the

As on the radio, the piece becomes inert and contrived after ten minutes, and Jenny Killick's production is unable to prevent the comedy flag-ging. The wife is badly underwritten. But any domestic comedy of contemporary Soviet life must be of interest, and Mul-rine's unapologetically Scots

Simon Donald has been a notable actor in the Killick regime. His new play, *Prickly* Heat directed by Killick, is a strange but compulsive heat-crazed idyll purportedly set in Scotland. Antonio Lagarto's set uses gauze, tarpaulin, an onstage showsr and crucial fridge to convey this unlikely meeting of Tennessee Williams

and Ian Heggie.

Four loveless characters — a boxer, his trainer, a runaway country girl and a peculiar landlord (who keeps beers and frocks in the fridge) — jostle for position and squirt milk, oil and water over each other. The piece has been much worked on since its June premiere and is brilliantly acted by Robert McIntosh, Tom Mannion and Hilary Mclean. The author himself plays the emaciated trainer in an over-small suit, sandals and luminous green socks. I really enjoyed this one.

Prickly Heat and A Man With Connections are in the

upstairs Traverse. The down-stairs, smaller auditorium is now an equal partner at festi-val time. Peter Jukes's Shadowing the Conqueror, smartly directed by Simon Unwin, is a repetitive encounter between Alexander the Great (Matthew Scurfield) on the eve of his last campaign and a contemporary photographer (Siohhan Red-mond) on a "Portraits of the Powerful" commission. Nothing much happens at great length. Some of the writing is sharp, but most of the ideas banal, rooted in neatly antithetical concepts of antagonism and versions of reality. Alexander died, aged 32, in Babylon. Mr Scurfield expires Babylon. Mr Scurfield expires in a mountain pass, well short of China, having opined that "corpses are the natural subject of photography." Miss Redmond, a fine actress, cannot snap her way out of this.

The Traverse Theatre Story by Joyce McMillan, with a chronology compiled by John Carnegie. Methuen, £5.95 pounds.

by Apollo - sixty years old

and still more modern, and more classical than much of

the contemporary repertory -

Australian Youth Orchestra

At Saturday's Prom these and colour, and got it. As a young Australians continued the East European theme and felt piece, it would have gained the East European theme and also showed what first-rate new talent Australian orches-tras have at their disposal. (Their string-players, predomi-nantly femals, lent no support to the old idea that women's playing is short on weight.) As conductor they had Sir Charles Mackerras, another Australian, and another — Leslie Howard — as soloist in a wretched piano concerto by the Australian Ross Edwards.

Described by its composer as "exuberant" and "extravert." (it proved to be winsomely naive, witlessly repetitive and scored as if for a low-budget radio band.) The "minimalism" which presumably inspired it is too crudely compromised to make any effect. Being told it is univplical of a composer who has done better things, I shall not abuse it further. Janácek's epic Turas Bulba deserves more exact shaping

still more from extra touches of flexibility, and a sharper focus for the great emotive cadences in the peroration but it went quite well enough to suggest that we lose hy our London orchestras' rejuctance to programme the work.

Better still was the Symphonie fantustique, which enjoyed better playing — in terms of ensemble, and notably from all the winds — than Berlioz could ever have expected. Mackernas honoured the repeats scrupu-lously (but never mechanically), rendered the drama precise, and built the finale to a rude towering height. It was a pleasure to hear. One won-dered whether keen young players may not have a decisive advantage when it comes to capturing Berlioz's specially live, nervy edge.

Sphinx FESTIVAL HALL

The tide of hallet that has flooded London this summer is receding. The Kirov season ended in a blaze of dance glory on Saturday night with a final view of Le Corsoire: and withdrawal symptoms - a craving for an impeccable corps de bal-let, for artists in whom classic grace is the centre of their being - are already setting in. London Festival Ballet also ended a summer stint on the South Bank with a mixed programme on Friday night in which the pendulum of taste swung between the extremes of Balanchine and Tetley/Béjart.

Given the difficulties for European dancers in dealing with Balanchine - not enough speed, psychic and physical energy dissipated in letting us know who the cast are rather than what the choreography is it is not surprising that the emotional extravagances of Tstley's Sphinz and Béjart's

David Murray | Wayfarer duet should have

was well cast: Susan Hogard's beanty and the delicate way she suggests the Sphinx's sensuality and sexual longings make her a fine incumbent of the role. This is a subtly voluptuous sphinx, and Paul Chal-mer's elegant Oedipus, very controlled in manner, is an ideal foil. The piece is too long, but with Alessando Molin's Anubis as its third strong participant, the choreographic contortions were set out with the right air of inevitability. Song of a Wayfarer is Béjart's entry in the Mahler

come off best. Tetley's ballet

dance marathon. Unlike the majority of his works, it does not cloud the issue with too many clever ideas. Craig Ran-dolph and Darryl Norton gave sincere, well-focused performances as the bero and his shadow, and I was impressed by James Meek's unforced account of the Wayfarer songs. Balanchine was represented

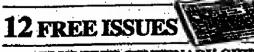
and Symphony in C. These were given well-intentioned readings, and though we accept that no other troupe can emulate the New York City idiom, Festival provide a blurred musicality, and lack the unified style to hold the text together. Apollo was like an illustrated tour round a masterpiece. I liked best two of the Symphony's cavaliers Patrick Armand and Paul Chal-mer, worthy of New York. And as a bonne-bouche, Natalya Makarova and Peter Breuer brought Tstyana's dreams to ecstatic life in the letter duet from Cranko's Onegin. Flung and caught in Mr Brener's

arms, Makarova spoke Push-

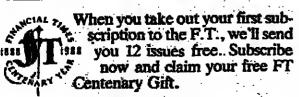
kin's lines to us, and we under-stood Tatyana's soul. Great art. Clement Crisp

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FINANCIAL TIMES

ARTS GUIDE August 12-18 **OPERA AND BALLET** London

Moscow Classical Ballet in a short season with a new Swan Lake, at the Business Design

Veronz

Arena Di Verona. Zorba the Greek, a ballet by Lorca Massine to Theodorakis, conducted by the composer. Also: Alda, with the composer. Also: Alta, with Grace Bumbry as Anmeris; Tur-nadot with Ghena Dimitrova alternating with Eva Marton, and Poachielli's La Gioconda, conducted by Christian Badea, with Bruna Baglioni and Giov-anna Casolla. (596517).

New York City Opera (State Theatre, Lincoln Center). The week features Lotfi Mansour's new production of Il Barbiere di Siviglia, conducted by Sergin Comissiona, and the season's new production of Rigoletto, connew production of Algosius, con-ducted by Elio Boncompagni and devised and directed by Tito Capobianco. (496 0600). Lincoln Center Out-of-Doors Fes-

MUSIC London

Uster Orchestra, conducted by Vernon Handley, with Ernst Kovacic (violin). Elgar, Sibelius and Gerald Barry first performance. Royal Albert Hall (Mon). City of London Sinfonia, conducted by Richard Hickox, with Heather Harper (soprano) and Wayne Marshall (organ). Britten, Bridge, Michael Berkeley, Poulenc and Bizet. Royal Albert Hall (Tue).

(11ie). BBC Symphony Orchestra and Churus and Singers, conducted

tival, the month-long and usually day-long free performances in the plazas and Dannosch Park feature Yoshiko Chuma and the School of Hard Knocks, a dance, music and performance art piece (Tue Spm); Fresh Stuff, fellow-ship winners from the New York Foundation for the Arts (Wed 5pm); and Yane and Le Baton Magique from Paris (Thur 6pm). (877 2011).

Washington

Wolf Trap Festival. Wolf Trap Opera Company, using Maurice Sendak's whimsical sets from Glyndebourne, perform The Love of Three Oranges (Thur). (432

Tokyo

Chang Mu Dance Company from South Korea. Sunshine Theatre, Ikebukero (Tue-Thur). (967 4389). Teshigawaf/ Saburo (avant garde dancer). Outdoor Theatre, Ikebukero (Tue, Wed). (987 4389). Budolf Nureyev and dancers from the Paris Opera Ballet. Kossinenkin Hall (Tue-Fri), (950

by Peter Eotvos, with Sarah Leonard (soprano) and Pi-Hsien Chen (piano). Ellioti Carter, Stra-vinsky and Franco Donatoni. Royal Albert Hall (Wed). Monteverdi Choir and English Baroque Soloists, conducted by John Eliot Gardiner. Bach St. Matthew Passion. Royal Albert Tokyo

Tokyo Symphony Orchestra, conducted by Ken-Ichiroh Kobay-ashi. Mendelssohn, Brahms, Dvo-rak. Suntory Hall (Wed).

Keeping Tom Nice

The second play of the RSC's passion. The second is when season in its Islington outpost the father Doug (Richard Conis a new work of power and promise.

Peter Nichols' Joe Egg remains the prime example of the wry, self-lacerating comedy of affliction, the handbook of laughter-as-survival. Initially Lucy Gannon's play about his life as emptying Tom's grunting, writhing Tom, coming up to his 25th birthday and "spastic, epileptic and inconti-nent", treads the same path.

His mother Winnis keeps

everything immaculate in house and garden, "ruthlessly slaughtering each weed"; and Shirley King, so good as another acquiescent, lacquered suburbanite in the RSC's against her mother's "bright Temptation, is beautifully comeverything immaculate in placent in the role. But, none court-shoe Marks and Spencer so bland as those who will not voice" - duty and love is so ham as those who will not see, she disregards her hus-band's anguished confession of violence towards their son, and is unaware of the "bright and breezy tortures" she herself

Two scenes in Bill Buffery's simple staging (a green carpet in Louise Belson's set, some pieces of furniture including bed and wheelchair arranged by the cast) may shock. First when his sister (Henrietta Bess), harrowed by the lack of parental love for Tom and conscious that he is a man "in working order", attempts sex-ual arousal in desperate comwhat you've done to me

The father's character is the most complex, cracking under the weight of a never-changing burden as he sees the rest of urine-bag, washing and feeding him; appalled by his anger at the unresponding victim, and left with only one way out when a social worker voices

caught in writing with its quota of laughs.

Faults include a veer towards poetry and a tendency to over-literacy. Performance are excellent, including Mike Dowling's well-meaning swk-wardness as the social worker - no caricature here - and the unnerving accuracy of Linus Roche's jerking, yelling protagonist. "When you've got a handicapped child the whole family's handicapped" is a grim message when the suffering is portrayed as useless.

Martin Hovle

FINANCIAL TIMES | Stewart Fleming reports on the campaign prospects of Vice

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Monday August 15 1988

Fog over the **Atlantic**

calling kettles hlack, as each has competed to accuse the other of veering towards pro-tectionism. The shrill rhetoric is partly tactical manoeuvring. hut it also reflects dangerous mutual uncertainty about the other side's ultimate inten-

Europe's biggest fears about the new US trade hill are less about its specific provisions than about how a future President might choose – or be obliged – to apply them. The Americans are worried that, as fast as the EC dismantles its internal trade barriers, it will

raise external ones.

Much of the onus for setting matters straight falls on the EC, which is still far from deciding on its trade policy after 1992. The policy vacuum has encouraged other countries to suspect the worst. Their suspicions have been fuelled hy loose talk from Brussels about exacting sectoral "reciprocity" from the EC's trading partners as the price for participating in the single market.

The confusion has arisen partly because the EC's own memhers are divided. There are pressures in many indus-tries and some national capi-tals, notably Paris, to turn the single market into a hulwark against the rest of the world. Even in some ostensihly more liberal countries, opinion is split. The UK, for instance, opposes "reciprocity" in bank-ing at the EC level but defends it as a national policy, while in West Germany parts of the car industry now seem ready to go along with tighter Community curbs on Japanese car imports.

Problematic issues

Many issues abead are also genuinely problematic. In cars and textiles, EC imports of which are currently governed by individual country limits, a single market cannot be achieved without new external trade arrangements. Plans to liberalise public procurement

RECENT exchanges on trade policy between the US and the European Community have resounded to the noise of pots needs to establish concrent working principles for its future trade relations with the rest of the world. As it does so, it is to be hoped that it will reach some conclusions which will restrain its protectionist

One should be that using the One should be that using the single market as a bludgeon to extract concessions from other countries could seriously weaken the world trading system. If there is any case at all for "reciprocity", it should be argued in the General Agreement on Tariffs and Trade, not imposed bileterally. Another is imposed bilaterally. Another is that it is against the EC's own interests unduly to antagonise the US, which accounts for more than a fifth of its exports to the rest of the world and some \$160hn of EC direct

Exaggerated fears

US fears on this score may, in any case, he exaggerated. If a "fortress Europe" is under construction, the ramparts are likely to be built much higher to the east than to the west. The thrust of tougher EC trade actions, notably in the field of dumping, has been directed overwhelmingly at Japan and east Asia, which many European industries fear will pose a much fiercer competitive mnch fiercer competitive threat than US companies after

Indeed, American companies snch as Ford and General Motors, which have extensive operations in Europe, have openly urged the EC to keep np the pressure on Japan over its exports and local investments. For them, Far Eastern competition appears a much keener cause for concern than any risk that the Community might adopt an anti-American trade

The central point, however, is that, as the two largest inter-national trade blocs, the US and EC set standards for the rest of the world. Now that the American trade bill has been passed by Congress the Com-munity is under an even greater ohligation to act face even more complex challenges in which international reciprocity is likely to loom large.

The EC needs rapidly to clarify its own thinking on how to responsibly by eschewing protectionism. Failure to do so could not only jeopardise the Catt Uruguay round, hut set the entire world trading sysify its own thinking on how to

some 10 to 15 per cent of all gas

from new North Sea developments to be sold to a purchaser

other than British Gas. At

present, some oil companies

are reluctant to withhold some of their gas for fear of commer-cial retaliation hy such a domi-

nant purchaser. A legal encouragement to sell direct to other customers might allow

some competitive bidding and

perhaps even a rudimentary spot market.

The emergence of competition would also be helped by regulations which obliged Brit-

ish Gas to publish a fairly detailed schedule of prices for industry. Its objection that this

would give competitors an unfair advantage should not be

heeded. Transparent pricing is perheps the most important characteristic of efficient mar-kets. So a little unfairness may

be essential to nurture a seed-

ling under the spreading branches of a dominant sup-plier. British Gas's secretive

attitude to pricing in the indus-trial market is not in the pub-

The company should he allowed to charge what it likes

only where a credible chance of competition from other fuel

or compension from other rich suppliers can be demonstrated. For several years at least this will require not only open pric-ing, but general oversight by the director of Ofgas. A revised licence should give him powers

to intervene and if necessary to set price guidelines in the event of disputes. The detailed

financial and operating figures which he is now collecting should allow him to devise a fair yardstick for such cases.

The director of Ofgas must

not become over-intrusive in

British Gas's commercial strat-

egy. However, it was naive to

think he could be an effective

referee under rules which

excluded half the playing field.

Unless regulators can com-mand complete data, sophisti-

cated analysis and fair powers

of discretion, a big monopoly

will soon run rings round them. This is relevant not just

to British Gas, but even more

to the framing of regulations

for the electricity and water

Secretive attitude

Tighter rules for **British Gas**

THE FORTHCOMING report to the commission deserves by the Monopolies Commission support. This would require hy the Monopolies Commission on British Gas should give the Thatcher Government a spur to correct several important mistakes which it made when

the corporation was privatised a year and a half ago. Many critics at that time argued that ministers gave inadequate thought to ways of promoting competition and to the provision of thorough and effective regulation where this was not possible.

The licence which allows British Gas to operate as a monopoly under the Gas Act reflected the company's claim that in the industrial sector regulation was unnecessary because of competition from other fuels. Yet within a few months of its flotation the corporation had joined battle with one of its major customers, Sheffield Forgemasters, which did not have an alternative supply of energy and alleged that it was the victim of discriminatory pricing.

Market power

The Office of Fair Trading judged that the case raised important enough general issues to be referred to the Monopolies Commission. The obvious question raised by the reference was whether British Gas was abusing its market power in the industrial market - or in a part of it - to make monopoly profits. This would have been easy to answer if the company had been required to keep separate accounts for the regulated and unregulated parts of its gas husiness. How-ever, Condition 2 of its licence permitted the company to aggregate profits from its cap-tive domestic customers with those from the industrial mar-

This was unsatisfactory even on the assumption that com-petitive disciplines in the industrial sector were adequate. Now it appears that separate accounts are needed just to test the assumption of competitiveness. After some resistance British Gas is now providing data to the Office of Gas Supply (Ofgas) from which this separate allocation of profits

can be calculated. The more important moderating force, however, should be for the electrompetition. One proposal put industries. President George Bush as the Republican convention opens in New Orleans

Togstate Togstate Winds extravagant populist Politicians as Governor Huey Long, the Togstate Winds extravagant and the Togstate Windship assassing the Windship Long, the "Louisiana Kingfish" assassinated in 1935, will have to settle this week for plainer politics — a Republican National Convention which will choose as the party's presidential candidate George Herbert Walker Bush, a privileged New England Yankee without a populist bone in his body. So concerned are Mr Bush's political advisers about their candidate's lack of pizzazz that they have delayed the announcement of his vice-presidential running mate until this week to provide the television networks with a hit of suspense. footprint in the sand

with a hit of suspense.

They are also making sure that in New Orleans Mr Bush will not have to labour under the shadow of the larger than life leader he is trying to replace, President Ronald Reagan. Mr Reagan will only meet his Vice President Roman and the state of the leader has been a form any meet when their

Reagan will only meet his Vice President for a few moments when their paths cross tomorrow at the New Orleans airport as the President leaves the city and Mr Bush arrives. As the nominating convention opens today Republicans, and Mr. Bush, may be feeling a little bit happier than they were three weeks ago after they had watched the Vice President's rival Governor Michael Dukelds of Massachusetts emerge tri.

Dukakis of Massachusetts emerge tri-umphant from the Democrats' con-vention in Atlanta.

vention in Atlanta.

Mr Bush's speechwriters and advisers are confident that they can contrive a similarly impressive spectacle this week in New Orleans. Their candidate seems to have been gaining in self confidence and has begun to chip away at the impressive 17 point lead in the polls which Mr Dukakis hullt up by the end of his convention.

A specessful televised convention

A successful televised convention normally gives a candidate a boost in popularity. So if his convention managers achieve their aim, Mr Bush will

go into the campaign in September neck and neck with Mr Dukakis, a

status even his own staff were not

expecting to achieve so early.

None the less, even if this week's convention does go wall, a nagging

convention does go well, a nagging uncertainty hangs over the Bush campaign. Do the past couple of weeks, during which Mr Dukakis has been forced on to the defensive, represent a turning point for Mr Bush – the beginnings of a sustained comeback? Or will the recovery of the recent past and the transports in

past, and the triumphal moments in New Orleans this week, prove to be merely a prelude to new round of pub-

The depth of the doubts on this issue, even amongst Mr Bush's supporters, is evident from the volume of

gratuitous political advice he is get-ting from members of his own party. Indeed, some of his supposed political

allies are willing to be quoted in pub-lic voicing indements which, at this late stage, can do nothing to help his

to become chairman of the campaign.

arrival at campaign headquarters should add strategic vision, quell

the campaign is quicker on its feet.

Perhaps most important is the con-

Mr Bush'e self-confidence. The Vice

lic questioning?

President is a man, it seems, who needs the security of close personal friendships such as those with Mr

friendships such as those with Mr Baker and his successor at the treasury Mr Nicholas Brady.

Mr Baker is one of several friends and advisers to whom Mr Bush has been close for thirty years or so. He shrewdly took Mr Bush off to the wilderness of Wyoming on a fishing trip last month, ensuring that he was well away from the media during a Democratic convention which was devoted in large part to ridiculing and undermining him. And he is close enough to Mr Bush to give him the frank advice a presidential candidate sometimes needs.

times needs.

In the past few weeks, the Bush campaign has sharpened its attack on Mr Dukakis, sought to focus attention more effectively on issues which redound to Mr Bush's advantage and paymented Mr Bush's advantage and paymented Mr Bush's advantage and paymented Mr Bush's advantage and persuaded Mr Reagan to play a much more active role in pursuit of a Republican victory in November.

The most remarkable sign of the Bush campaign's determination to exploit to the full whatever weak-Mr Bush gets no credit for the Administration's

successes, but the failures

stick to him as well as

to the President

nesses it could find in Mr Dukakis's armour came with the controversy over his health two weeks ago. In the view of the Republican political ana-lyst Kevin Phillips, this was the most effective (if, to other observers, the least attractive) of the campaign's

Mr Dukakis initially refused to release medical records in order to quiet speculation that he had been treated for depression several years ago. Mr Bush cautiously fanned the ago, Mr Bush cannonsiy lamed the flames of controversy by putting out public statements testifying to his own rude health. Mr Reagan, perhaps stung by an earlier comment by Mr Dukakis (the Governor remarked about his political opponents that "a dead fish begins rotting from the head"), referred to Mr Dukakis publicly as "an invalid "."

Since the low point at the beginning of August, a number of things have gone right for Mr Bush. One of the most significant may be the more active role Mr James Baker, the US Treasury Secretary has been playing in the campaign, culminating in the announcement two weeks ago that Mr Baker would shortly quit the treasury The President's remark ensured wider publicity for the speculation about Mr Dukakis's health, and provoked him into reinforcing the cate-gorical denials that he had been treated for depression hy releasing a three page statement from his doctor listing the ailments, all of them Mr Baker, who ran President Rea-gan's election campaign in 1984 and President Gerald Ford's in 1976, is minor, that he has suffered over the recognised as one of Washington's years. Mr Phillips notes that the recent polls showing Mr Dukakis's lead over Mr Bush had shrunk to only shrewdest political strategists. His 7-10 points were taken just after the internal wrangling and ensure that controversy hlew up; he maintains that it certainly damaged Mr Dukakis. Mr Reagan has been more helpful to the Bush campaign in a variety of other ways. His veto of the defence tribution Mr Baker may be making to

budget authorisation hill was designed to help Mr Bush focus atten-tion on defence and foreign policy issues, capitalising on issues which are seen to be areas of relative weakness for the Democratic Party and for Mr Dukakis.

Similarly the President's decision to sacrifice his free market principles and not veto legislation requiring companies to give 60 days notice of companies to give 60 days notice of factory closings was designed to help. Mr Bush. It was aimed at blue collar workers, who could be vital swing voters in November but who appear to be stampeding back to the Democratic Party now that they can no longer vote for President Reagan.

Why is Mr Bush failing to win their support? One answer is that as his

i Why is Mr Bush failing to win their support? One answer is that, as history proves, the vice presidency is one of the weakest platforms from which to run for the White House. Mr Bush, polls show, does not get the credit for the successes of the Reagan Administration. Indeed some of its successes, détente with Moscow for example, have paradoxically made the public less concerned about a range of foreign policy issues on which a Republican candidate might capitalise.

Others, the prosperity of the Reagan era for example, are associated in

gan era for example, are associated in the public mind primarily with the President, not with his self effecing

deputy.

The failures of the Reagan presidency, on the other, hand do seem to stick to Mr Bush as well as Mr Bush gan. A recent Wall Street Journal/ NBC News poll, for example, found that a majority of voters think he was "very involved" in the Iran-Contra sums for hostages scandal.

For several weeks however, the Vice President has been cantiously distancing himself from some Reagan Administration policies. To shore up conservative support, he is, for example, running to the right of the President on relations with Moscow, saying the cold war is not over.

In some respects, the Reagan legacy is a constraint on both candidates. Mr Bush must seek, of course, to escape the Reagan shadow and define his own political identity and agenda by responding to the public desire for

But be is also, like Mr Dukakis, constrained by the huge budget defi-cits. The public seems to want its political leaders to tackle social issues, such as the need to improve education standards. But when it comes to proposing new programm to which address these needs, the budget hampers both candidates. Mr Bush also leaves himself open to

charges of pandering to interest groups when he launches initiatives - such as his proposal for a \$2.2 bil-lion day care tax credit - which are seen as designed in part to close the "gender gap", the overwhelming pref-erence of women voters for his oppo-

Mr Dukakis has an advantage in that, as the representative of the out party, his candidacy is inherently a

candidacy is founded on a continuation of the peace and prosperity of the Reagan era. These cross-currents, as well as the probability that the election will be perilously close, make his choice of a vice-presidential running mate a par-ticularly difficult one. He must decide whether his candidate should help him appeal to a region of the country or to a particular voting group. At the same time, the selection will be a fac-tor in defining Mr Bush's own fuzzy political identity.

Conservatives are baying for him to put a right winger on the ticket. Rem

call for change. Mr Bush, by contrast,

must be more specific about where he sees the need for change, because his

put a right winger on the ticket, Rep Jack Kemp or Mrs Jeane Kirkpatrick. Mr Reagan's former Ambassador to the United Nations. He is also being told he must balance his privileged background (not since the beginning of the century has an east-coast estab lishment Republican been elected President) and appeal to working class "Reagan Democrats" by picking an ethnic politician such as New Mexico's Senator Pete Domenici, 2

Others say Senator Bob Dole, his bitter rival for the Republican nomi-nation, would add "stature" to the ticket and yet others say the choice of Gen Colin Powell, the first black to hold the position of National Security Adviser, would give the Bush cam-paign a unique and exciting charac-

Character, identity, and image: these are the words which crop up incessantly in discussions about Mr Bush's candidacy. Many find it odd that a man whose opponents testify to his integrity and physical courage — he nearly died when, as the navy's youngest homber pilot he was shot youngest bomber pilot, he was shot down in in 1944 over the Pacific — is unable to communicate the strength which led him into battle and enabled

Septimization &

which led him into cathe and chanted him to survive.

It is partly his mannerisms, his tendency to speak in jagged, at times muddled, sentences, and his efforts to compensate for these weaknesses in a way which often appears forced and anxious, which have contributed to his now all too public "image problem."

The constant barrage of press criti-cism has not beined. The last week for example, has seen an inordinately long and unbalanced series in the Washington Post, presenting him as a man lacking deep convictions, who last won elective office in 1968 and who has advanced since largely hy

toadying to the powerful.

The pleture is one-sided. He has taken strong and principled positions—on civil rights issues for example and people who have worked closely with him vigorously deny that he is indecisive or weak and praise his decency and fairness. Even balanced assessments of his political career

have found it hard, however, to come up with examples of his leaving more than a shallow footprint in the sand.

One of his top advisers pointed out recently that Mr Bush has the advantage of not having to run against a charismatic rival. But the adviser conceded that if Mr Bush fails to define ceded that if Mr Bush fails to define his political persona more clearly at the convention and in the weeks immediately after it, his campaign will be in trouble.

Correction: In Saturday's issue, as a result of transmission errors, an article on the Kennedy Space Centre overstated the number of visitors in a year. The correct figure is 2.5m. The number has also been climbing steadily over the past 15 years (not 50 as stated).

Sale at a discount

■ The City may soon learn what value is attached to being a member of the discount mar-

ket these days. Citibank is sounding out possible huyers for Seccombe Marshall & Campion, the small discount house which it bought in 1985 to boost its place in the sterling money markets. After Citibank shut down its gilts husiness in July. the logic for keeping Seccomb has weakened, though Citi won't officially confirm that

it's for sale. But with the Bank of England proposing to open up the discount market to nev members, that once privileged enclave is under threat. "Nobody makes good money in this business" grumbles one of its members.

The big houses like Gerrard, Union and Caters are all diversifying, and few new entrants are expected. The most widely canvassed names are Midland Morgan Grenfell and Warburg. Barclays, once a candidate, appears to have pulled back.

The most likely purchasers might be the Japanese who are busy digging themselves into the sterling markets. But the word is that the Bank will not allow a Japanese institu-tion to huy e discount house so long as the UK's long-running reciprocity dispute with Tokyo rumbles on. The Bank declines to com-

Agee again

■ William Agee has returned home to Idaho and to the corporate big leagues five years after he lost one of the most gripping takeover battles in Wall Street history. He has shouldered the chairmanship of Boise-based Morrison Knudsen, a hig construction and engineering company stagger ing under losses on real estate and shipbuilding.

OBSERVER

Agee was rarely out of the headlines in the early 1980s as head of Bendix, the aero-space and vehicle components group. His attempt to take over Martin Marietta, a defence con-tractor, spawned the legendary "Pac-Man" defence in which each accumulated more than half of the other's shares. Ulti-mately, Allied Signal bought Bendix and 39 per cent of Martin Marietta · and Agee lost his job.

He then went into the venture capital business with Mary Cunningham whom he married after he left Bendix. Though they denied any romantic involvement as Bendix co-workers, her rapid rise as a young, beautiful corporate strategist attracted national attention which forced her out

of the company.

Agee was born and bred in Idaho and Harry Morrison helped his father buy a small local steel company. A director of Morrison Knudsen for 11

of the past 15 years, he says he relishes the task of restor-ing its fortunes.

He will run it just as he did both Bendix and his venture capital firm - with "short lines of communication, candows of communication, candour and hy developing a sense of community. His wife has taken over their venture capi-tal firm but "she has been kind enough to keep me on as a

Gold barred

■ I had hoped to bring you a small scoop today - a descrip-tion of the Bank of England's gold vaults. The UK has \$6.5bn of gold reserves, most of which resides deep below Threadneedle Street. But after mulling my request for several days last week, the Bank decided that even Observer represented an unacceptable security risk. "Most of the Bank's own staff don't even get in there," explained a spokesman.



the Church Times."

The Bank's cageyness contrasts strongly with the atti-tude of the New York Fed whose vaults contain consider ably more gold than Fort Knox. If you ask them nicely, they will show you riches beyond your dreams. The Fed reasons, rather sensibly, that 400cz gold ingot is not some thing that a casual thief can slip into his pocket.

Brussels Bang

■ An archaeological site out-side the imposing headquarters of the Brussels Stock Exchange has been inspiring digs of a different kind. Suggestions that fossilised clients, lost share certificates, or brokers vainly trying to sell shares in Societe Generale de Belgi que may soon be unearthed are among the caustic comments heard recently on the trading floor. Such flashes of black

humour are appropriate given that Belgium's Finance Minis-ter Mr Philippe Maystadt has signalled his clear wish to sub-ject the Bourse to the Belgian equivalent of the Big Bang. The Belgian market is some-thing of a relic itself. Official

trading takes place for only two hours each day under the primitive "open outcry" system whereby members write down their requirements on bits of paper, and bids and offers are matched. A lot of unrecorded business is also done outside the Bourse by brokers and bankers informally marrying the needs of their clients.

Plans by the Stock Exchange authorities for a centralised computer trading system are well advanced but the details of how this would work is just one issue which divides the two key figures who will oversee the changes: Mr Jean Peter brock, chairman of the Stock Exchange and head of the leading broking firm which bears his name, and Mr Leo Goldschmidt, his opposite number at the Belgian Bankers Associ-ation and chairman of the country'e leading independent investment bank Bank DeGroof

Although Mr Maystadt thinks Belgium can learn a lot from the changes made in London and Paris, his task is not easy. The Ministry's previous troubleshooter on an official working party had to with-draw the first draft of his report because it was rejected by one side to the negotiations When he produced a second draft, it was equally promptly hit on the head by the other side. But if Belgian politics is anything to go by, he must be used to such wrangles.

Sound of music

■ France continues to be frustrated in its efforts to encourage the use of French. At a recent conference hosted by WHO, Unicef and the World Bank at Talloires in France, nearly all the main speakers, including some Frenchmen, delivered their speeches in English. This prompted one exasperated French delegate to complain that Francophones were being ignored and that the event had been taken over hy Samphones.

David Lascelles

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Helmut Kohl launched into one

of his favourite long-winded

During the Queen's state

visit to Germany in 1977, the Chancellor told his questioner,

the Duke of Edmburgh had been surprised to learn that Mr Kohl's conservatives were in

Opposition in spite of winning 48.6 per cerif of the votes in the

1976 election. "That is the deci-

sive difference. According to

the British system, I would

have had a majority in parlia-ment. That has something to

do with the question. It has nothing to do with courage," Mr Kohl said.

The reply underlines one fundamental obstacle to a

Thatcher-style revolution in

West Germany. The federal

republic's system of propor-tional representation has ensured that coalitions have

ruled in Bonn for all but four

ruled in Bonn for an out four years since the state was founded in 1949. Especially under Chancellor Kohl, this has not made for decisive gov-

Mrs Thatcher has ruled with

thrown up by West German federalism, giving great impor-

tance to frequent state (Land) elections and to compromise

arrangements with the Bundes-

rat, the states' parliamentary

The political checks and bal-

And the Angle of the College of the

ances form part of a system of

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P - Jane

David Marsh continues his series on the sluggishness of West Germany's economy

A consensus in search of a crisis

ations, trade unions and comsked at a press conference last month munity groups. The roots in some cases go back through centuries of Germany's fragwhat would happen in West Germany if mented history. the Federal Government in Despite the acknowledged Bonn tried to enact economic policies of the type implemented by Mrs Margaret Thatcher in the UK, Chancellor

need for economic and social reforms to cope with the challenges of the 1990s, the very success of the system since the war has created built-in resistance to change.

All this — together with the fact that the problems of the West German economy are not nearly as dire as those con-fronting Britain during the 1970s - combines to make West German-style "Thatcher-ism" impossible as well as Proportional representation

The Anglo-German story

3% *Total factor productivity

Pre-1973 79/86 73/79 86/89

ing a large and complex cast of Immaculate Conception." Mr industrial and business associ. Joffe classifies the German Joffe classifies the German consensus system as "a society which moves at the lowest common denominator. Everyone has veto power."

Mr Kohl's own reticence about tackling interest groups contrasts with the market-orientated economics put into action after the war by the Christian Democrats under Mr Ludwig Erhard, West Ger-many's first Economics Minis-

Politicians like Mr Kohl still pay lip service to Mr Erhard's reforming zeal. But the Erhard drive was only practicable at a time of national effort to rebuild the war-shattered country. It is a period which today's comfortable Germans, for obvious reasons, do not want to

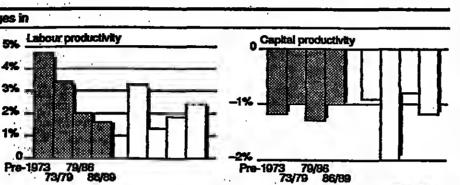
- changes in

pany" encompassing a wide optimistically of a surge of ers as workers. "Employers are spectrum from right to centre entreprenentialism among tying their workers to them left. "They are no Tory party," younger people.

Mr Klaus Luft, the chairman he says.

Because of the need to molof the computer group, Nixdorf, says pessimism is often overdone. He points to lify all sections of his own party, Mr Kohl spent a large portion of time in party cau-cuses this summer to try to progress made in improving flows of venture capital win support for the Governeven though the federal repubment's 1990 income tax cuts. lic still lags behind the UK and Last month the package was finally pushed through the France in this respect - and says the Government is now really trying to reform the telecommunications, tax and health systems. "More people now dream about becoming Bundesrat, which has a veto over tax legislation, 17 months after it was decided on by the Government. To buy approval in the Bundesrat, Mr Kohl was forced to make concessions to northern CDU states asking for millionaires. There is an entrepreneurial younger Germany." Significantly, some SPD industrialists also voice wormore regional aid. This additional funding will drive up the budget deficit next year, forc-ing the Finance Ministry to ries about the consensus sys-

Mr Ernst Pieper, the chair-



large parliamentary majorities means that marginal groups have a tremendous amount of infinence," says Professor Kurt despite the Conservatives' average score in the three UK general elections since 1979 of only 42.8 per cent of the popu-Biedenkopf, formerly general secretary of the CDU. As a dep-The CDU together with its uly in the Bundestag, he now carries on a lonely intellectual Bavarian sister party, the Christian Social Union (CSU) crusade against Mr Kohl.

has won an average 46.5 per cent of the vote in the last two West German politicians, Mr Biedenkopf points out, have become a specific breed general elections. But to maintain a parliamentary majority, the two conservative parties can rule only at the expense of depending on politics not just for prestige and influence hut also for income. "They are not complicated political bargain-ing with each other and with the junior coalition partner, the Free Democratic Party (FDP).
Additional complications are

years," says Mr Josef Joffe, for-eign editor of the Suddentsche Zeitung, the liberal Munich-

based daily newspaper.

"Mrs Thatcher revived the class struggle. She said, Tm going to take on the miners, I'm going to break them." That is as alien to German thinking decentralised decision-making running through the whole of West German society, involve as Catholics questioning the

Mr Otto Schlecht, the veteran state secretary in the Bonn Economics Ministry, who used to work with Erhard during the 1950s, says such a man might well fail in today's fed-

eral republic.

During the Erhard era, he says, in the fledgling years of the European Common Market, the federal republic used to be suspicious of ideas from Brusalso for income. "They are not very risk-happy, they are very careful." Taking on vested interests is considered politically impossible — "They don't have the guts to do it."

"The ossification which took Britain 300 years to acquire has happened here in 30 suspicious of ideas from Brussels because they encouraged bureancratic "planification." Now, he says ironically, Brussels provides a stimulus for liberalisation — through the 1992 internal market programme — which would not otherwise come from within West Germany

Another change from the Erhard period is the increased complexity of party politicking. Mr Johannes Rau, the Social Democratic Prime Minister of North Rhine Westphalia, who ran unsuccessfully for the chancellorship in the 1987 general election, points out that the CDU is a "holding com-

introduce extra consumer tax increases in 1989. And this will partly offset the income tax cuts planned for 1990.

Mr Karl Hohmann, a former close side to Ethard, who is now chairman of the Ludwig Erhard Foundation in Bonn which tries to keep the great man's thoughts alive, points out how such wrangling has grown. Mr Erhard, he says a trifle wistfully, never used to set foot in CDU party head-The bickering over the 1990 tax cuts has eroded business

support for the Government. This has been added to more general dissatisfaction over the coalition's failure to bring in the free market policies held out when Chancellor Kohl took over from Mr Helmut Schmidt and the Social Democratic Party (SPD) in October 1982. However, this discontent with politicians has had a silver lining. In some areas of industry, it has prompted greater self-reliance, making

some industrialists even talk

affects to despise - and as a member of the public who from

time to time uses call boxes.

Mr Amery claims that the

boxes, whose only virtne is that they have become quaint

cerned, the sooner the better.

Wally Olins, 22 Dukes Road, WC1

Ring in

the new

man of the state-owned Salzgitter steel group, is a member of the SPD industrialists' group set up to advise the party on future strategy. He says of the past: "The price paid for avoid-ing strikes was too high." Mr Pieper says that West

Germany's system of worker co-determination, which puts employee representatives on to supervisory hoards, makes "nasty decisions" difficult to take.

Mr Detlev Rohwedder, state secretary in the Economics Ministry under the previous SPD government and now chairman of Hoesch, the steel company, says that politicians are reluctant to ask for sacrifices, "We will undoubtedly see a much faster export of industrial capital." Professor Ulrich Steger, the

former SPD Finance Minister in the Hesse state government, who is now at the European Business School near Wiesbaden, points out that labour rigidity is a problem which has its roots as much with employwith gold watches, special pen-sion arrangements, capital participation.

But he points out that the "corporate social system" is also one of Germany's strengths. "You cannot make a Mercedes Benz or a sophisticated machine tool with a

vagrant workforce."
Highly developed job training is also a source of immobility. "Companies have all invested heavily in their peo-ple. We have such a welltrained labour force that comnamies won't let them go." says Professor Steger. One complaint frequently

heard from industrialists and bankers is that communications with the Government function very badly. Mr Wer-ner Dieter, chairman of the ner lieter, chairman of the steel and engineering group Mannesmann, says: "I would not complain too much about the Kohl Government" which, he says, "understands the problems of industry." But he attacks high corporate taxes, particularly the Government's "stroid" decision to double tax on the sale of small business. Not even the Socialists tried to do this."

There is widespread agreement that the SPD is not cur-rently a viable alternative. Mr Ronaldo Schmitz, finance

director at the chemicals giant BASF, says that West Ger-many's lack of a proper capital has added to the difficulties. "Bonn is a purely political cap-ital. It is not a place for dialogue with industry. Industry meets politics more or less only when it is asking for favours.

Since the majority believes that the structure of the Ger-man consensus system is basically sound, the ground for a Thatcher revolution in West Germany is as infertile as ever. Mr Rudolf von Bennigsen-Foerder, chairman of Veha, the energy conglomerate, says sim-ply: "German politics does not have the strength of Mrs Thatcher." Radical reforms in West Ger-

many of the type seen at the end of the 1940s and in the 1950s seem only possible at a time of crisis. And of course the very workings of the consensus system tends to smother any sense that a crisis crould be on the way. could be on the way.

The first article in this series appeared on August 10. Further articles will appear over the

By Clive Wolman THE CLAIM that raising rates rise, so does the discount interest rates reduces inflationary pressures has so often been

LOMBARD

Interest rate

illusions

repeated by the Thatcher Government, City economists and in macro-economic models over the last few weeks that the public may be forgiven for considering it a self-evident truth. The classical argument for the 3.5 percentage point increase in rates since May had the attraction of simplicity: savers would have an addi-

tional reason to hold on to their money, while would be horrowers would think twice about their costs. The trouble has been the accumulating evidence that individuals and manufacturing (but not property) companies are insensitive to interest rates when considering how much to save, borrow or invest. The more aggressive credit providers have even found that higher rates allow them to exploit new ways of selling credit and overcoming the institutional obstacles to its provision.

Supporters of conventional interest rate wisdom have therefore resorted to a variety of more sophisticated reasons. which get tied up in their own subtleties. Their argument that higher interest rates mean general helt-tightening -applies only if the borrowers tighten their belts more than the savers (now henefiting from the higher interest rates) loosen theirs.

Most macro-economic models assume they do, but on evidence derived mainly from a period when savers, concentrated in the 50s and 60s agegroup, had to use every oppor-tunity to re-build their inflation-ravaged assets. Today's 50-70 year-olds, enjoying six years of high real interest rates, a booming stock market and over-funded pension schemes, are more likely to turn additional interest income into better holidays and cars.
According to Mr Tim Cong-

don, of Shearson Lehman Securities, the most important effect of a rise in interest rates is the way it makes people feel less well-off and less inclined to spend. All capital assets real property, bonds and shares - are based ultimately

rate by which future earnings are translated into (lower) present values.

But hecanse houses and shares are long-term assets. their yields must be discounted using long-term interest rates. The Government's interest rate moves this year (down, and then up again) have had almost no effect on long-term rates, now well helow short-term ones. As in 1985, home huyers are unlikely to pay much attention to short-term mortgage rates; and lenders become more flexible in allowing customers to defer

payments when rates rise. But even if interest rate rises were to push down house prices, it is not clear why this should lead to a general fall in spending. Home-owners who plan to sell to move to smaller houses or cheaper regions will certainly feel worse off. On the other hand, youngsters strug-gling to get on to the housing ladder - and owners planning to trade up - should feel bet-ter off as prices move back into their range and they have less need to skimp and save. The argument can be gener-

alised to all assets. If investors are to receive higher long term yields, future purchasers of shares and honds should expect to be better off - and feel no need to cut spending now

The other main rationale for favouring interest rates is the disinflationary effect it will have through hoosting the exchange rate. But sterling forward rates indicate unequivocally the (rational) expectation that sterling will gradually fall hack again, and short-term deviations in exchange rates are exactly what exporters and importers have increasingly heen hedging themselves against. This, together with the scope for huilding up or running down stocks, will soften or even neutralise any disinflationary effect from a temporar-ily higher exchange rate.

The underlying problem is that sterling, like other curren-cles, continues to enjoy a government backed monopoly in its home country, while the factors determining its supply on the future stream of rents or earnings. When interest complex to control.

LETTERS

Problems in the Pact

From Mr Jonathan Gordon-Till. Sir. Having been deported from Romania in 1984, I was interested to read "A Romanian threat to the Warsaw Pact" (9 August). There has been much recent comment on President Nicolae Ceausescu's megalomaniac fantasy. Bnt your assertion that

Romania poses an embarrass-ment to other eastern Euro-pean states may not be the predicament you maintain.

Despite the recent failure of the Conference on Security and Co-operation in Europe to agree on minority rights and freedom of travel (because of Romania's intransigence), east-ern European states need little persuasion to hide internal social disorder behind Ceausescu's intolerable autocracy. 15 Oakthorpe Road;

Industry's flexible friends

From Dr Colin Mason.

Sir, It is appropriate that your report (August 9) on Midist providers. If other compaliand Bank's decision to provide in-house nursery facilities for example, will this stimulate the companies of the comp the children of its staff the emergence of specialist appeared immediately above a providers of corporate childreport of a study claiming that care services and, in turn, appeared immediately above a report of a study claiming that the use of flexible working in British industry is widespread. One of the important charac-teristics of the "flexible firm" is that it subcontracts out Department of Geography, many of its service require-

in encourage companies also to ad. subcontract out this activity to specialist providers?

Spectacle of a free market

From Mr Clive Stone.
Sir, Harmonisation of the principles of tax within tha European Community (EC) has to be accepted, but there are strong arguments for leaving individual governments to individual governments to determine their own policy on levels of tax. VAT is a good example, following the recent EC Court decision to impose VAT on spectacles in the UK, against the British Government's wishes.

Each country, having

ment's wishes.

Each country, having accepted the discipline of harmonisation, must surely be free to examine the negative effects on its "economy and competitiveness" within the European market when deciding its VAT rate.

ing its VAT rate.

It must be free to balance this decision against the overall effect on its own internal economy, social policies and principles, and take this into account when determining its rate of VAT. As long as VAT (or other means) is not used to restrict imports or to disadvantage foreign products productage foreign products/produc-

ers, finance ministers should

have complete freedom within the Community to fix the lev-els of tax.

Spectacles are a good example, because they are an integral part of our social system (about 30 per cent supplied directly or indirectly under the National Health Service) and create a distortion of price (upwards, because of shortfall) in the 70 per cent private sector of the market.

Inter-country purchase com-parisons are, therefore, dis-torted. However, the chance of people from different countries being dissuaded or encouraged by price to shop for their spec-tacles in other countries is small. A free choice market small. A free choice market will exist. If a government considered that its market was in jeopardy, it would act accordingly by varying its level of tax—and should be free to do so. Clive G. Stone,

Dollond and Attchison Group,
1323 Coventry Road,

Ring of truth

From Mr Michael Varcoe Cocks.
Sir, David Lascelles, writing in your Observer column (August 11), describes Corney & Barrow's restaurant in the City of London as "an up-market establishment — silver hapkin rings, Limoges porce-lain, imaginative cuisine.

High quality porcelain and cuisine are one thing, but any restaurant that nses napkin rings (silver or not) cannot expect to be taken seriously,

even with a "special City lunch at £19.95 a head" (without pud-ding/sweet course - not "des-

We should note, Sir, that napkin rings were used only for wrapping used napkins for repeated use (by the same per-son) in modest homes and (many years ago) in very modest restaurants. Michael Varcoe-Cocks, 17a Nevern Mansions,

Accountancy training should be expanding, not contracting

head recently when the Univer-sity Grants Committee (UGC) proposed that the number of

available places on accombiancy courses should be frozen. This seems self-defeating. Demand for this directly vocational qualification is unprece-dentedly high; surely it should

The principal difficulty is generally acknowledged to be uncompetitive salaries and the consequent problem of attract-expanding, not contracting.

From Mr J. Clarel.

Sir, Accountants as well as academics have expressed coning high-calibre teaching staff to the academic world. Salaries on offer in industry, commerce cern over teaching accountancy in higher education newly-qualified accountants, establishments. This came to a education.

This has two principal effects: first, that academics are constrained in their research activities, and thus their contribution to the future of the profession is reduced; second, that the pressures of student numbers adversely affect the quality of tuition. Such a situation is in nobody's interests Provision of accounting training should be

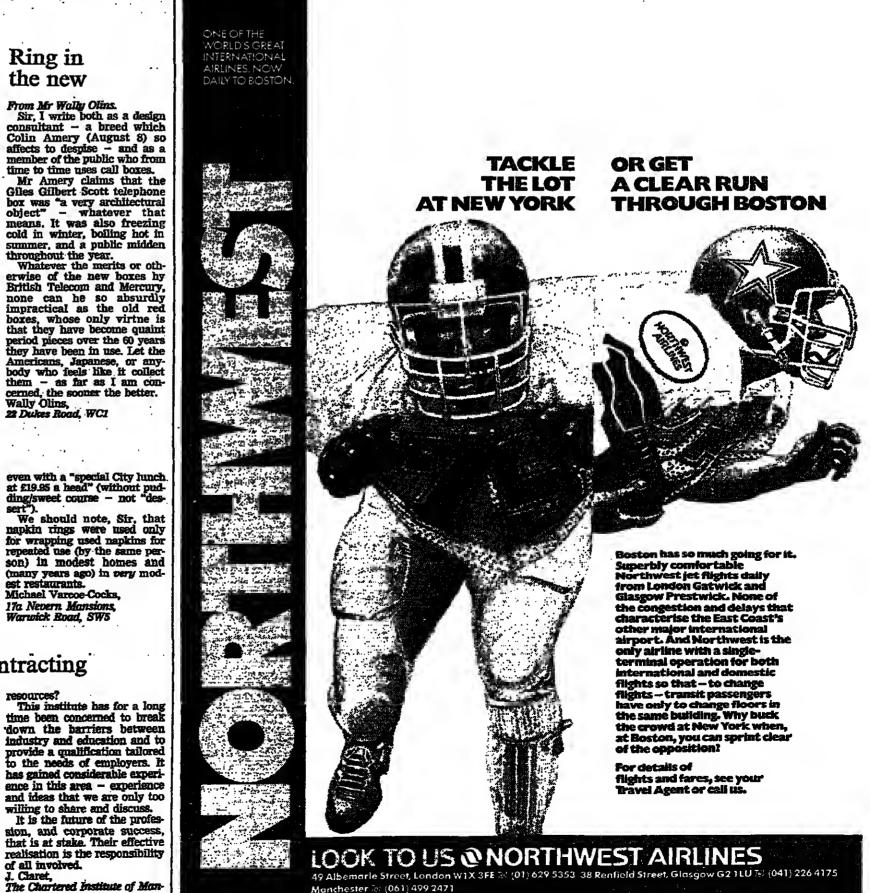
At a time when management is putting greater emphasis on qualifications and indeed train-ing generally, when the gov-ernment is encouraging indus-try to establish closer links and become increasingly involved in education; when companies themselves are demanding education geared more closely to business strategies and corporate objectives, why cannot a solution to this problem be found?

Is it not time for industry, and the accountancy profession generally, to reappraise its role in the education process, and become more involved in debate about allocating

resources?
This institute has for a long time been concerned to break down the barriers between industry and education and to provide a qualification tailored to the needs of employers. It has gained considerable experience in this area - experience and ideas that we are only too willing to share and discuss.

It is the future of the profession, and corporate success, that is at stake. Their effective realisation is the responsibility of all involved.

J. Claret, The Chartered Institute of Manment Accountants agement Accountants, 63 Portland Place, W1





Deborah Hargreaves on Wall Street

Futures pits braced for new indices

THE final quarter of the year bas always heen a time of feverish activity in the futures industry, when exchanges rush to cash in on the letest lucrative trend with their version of the year's favourite product. This year it is the stock index futures market that is bracing ltself for an assault from an array of new cootracts.

ironically, a welter of new index products is set to hit the futures pits at e time when the established market – still reel-ing from last October's stock market crash – is stuck at a trading level almost a third helow its volume of recent

The Commodity Futures Trading Commission, the US industry's regulatory body, had held back on approval of new index contrects in the aftermeth of the market dehacle, when the futures market came in for some fierce criticism for its part in the collapse. But, after asking exchanges to provide more details about safeguarding their markets in a downturn, the CFTC has once more opened up its approval process and a trickle of new

contracts is appearing. But with the stock market in the doldrums - save for the jit-ters created by rising interest existing stock index futures market already overcrowded with contracts that sre strapped for volume, who wants to trade these new prod-

Portfolio insurance was largely discredited in the stock market crash and stock index arbitrage is restricted on days of large stock market moves. This has depressed the indus-try's bellwetber Standard & Poor's 500 index futures at the Chicago Mercantile Exchange to a daily volume of around 42,000 contracts last month compared with nearly 60,000 a year earlier.

Two broad-based new indices Two broad-based new indices that were launched enthusiastically by the New York Futures Exchange about e year ego are languishing with no trading volume at all.

To take e cynical view of the frantic rush into index products, exchanges could have an eye on the November election that may usher in a President

that may usher in a President with more of an interventionist proach to the financial mar kets than the Reagan Administretion. If the exchanges get their indices approved and listed now – whether they trade or not - they et least will not be precluded from the market in any future clamp-

Of course, the exchanges themselves all like to believe they have e twist or a new angle to attract investors and many have their new indices pitched very firmly in the international arena to catch the swing towards the globalisation of investment funds.

The Coffee, Sugar and Cocoa

Exchange is hoping to set off its International Market index before the end of the year, into what it sees as e unique market segment. Composed of 50 foreign equities that trade directly or as American Depositary Receipts in the US, the index, which will trade as e futures contract on the CSCE and as an option on the American Stock Exchange, is angled at fund managers who want to build a synthetic international portfolio

More ambitiously, Chicago's two major exchanges, the Board of Trade and the Mer-cantile Exchange, both have epplications pending to trade futures on two Japanese stock indices as part of an ongoing effort to tap into the same globalisation trend.

As the first futures contracts in the US to be cleared and settled in a foreign currency - in this case Yen - these contracts heve thrown up all sorts of regulatory issues.

Closer to home, the Board of Trade has plans to launch its CBOE 250 index futures contract on the floor of the Chicago Board Options Exchange in November as part of a joint venture agreement

At the same time, the exchanges are pondering the creation of hasket-type products to make it easier for institution to the large transfer. tutions to trade large blocks of contracts. Many of these ideas are still in their early stages, hut the Philadelphia Stock Exchange has applied to trade Cash Index Participations, or CIPS, which will allow investors to buy or sell an index of stocks without the need to execute multiple transactions.

But as the silly seeson rushes into eutumn, commod-ity traders will be returning from their boets and beach houses, to fece a dazzling array of new stock index products for which there mey be little

Moscow says withdrawal on target

THE WITHDRAWAL of half of THE WITHDRAWAL of half of the 100,000 Soviet military personnel in Afghanistan was completed yesterday, one day before the date agreed under the Geneva Accords, according to Radio Moscow.

However, Soviet and Afghan officials both say the Afghan army, now seeking to retain control of the areas which Soviet troops have left, is coming under increasing heavy

soviet troops have left, is com-ing under increasing heavy pressure from rebel groups. In one of the higgest rocket attacks on the capital Kahul yet reported, five people – four women and a child – were killed and six others wounded oo Saturday night. Shelling of the eastern towns of Gardez and Khost claimed a further 14 dead and 10 wounded, the Soviet newsagency Tass said last night.

Gen. Shah Nawaz Tanai,

head of the Afghan armed forces, told the Soviet army paper Krasnaya Zvezda yester-day that there was a "sharpen-ing of the political and military struggle between the national powers and the opposition forces" in the areas evacuated by the Soviet forces - includ-ing the provinces of Badakhs-tan, Himsnd, Kandabar, Kunar, Nangarhar and Paktia.

These provinces are in the south of the country, bordering south of the country, bottering Paklstan. The paper said Soviet troops bad withdrawn from 25 of Afghanistan's 31 provinces. The largest contingent – of more than 20,000 – remains in the capital. The provinces still believed to continuous control of the control of the control of the capital tain Soviet forces are Bagian, Balkh, Herat, Kabul, Parwan, and Samangan Five of these form a corridor north to the

Soviet border, while Herat borders on both the USSR and

According to a report from Reuter in Kahul, Soviet forces had made deals with rebel groups to allow unhindered passage north for several of their units. Quoting Soviet army sources, Reuter said the order to contact the rebel groups had come from "a very high" level in Moscow. Western officials in Kahul said that a member of the

Afghan Senate had spoken of contacts between senators and the rebel gronps - to "safeguard their future in case of a Mujahideen takeover".

Diplomets in Kehul described the fighting as increesingly a war hetween loosely allied rebel groups and a weak Government. Meanwhile, Marshal Sergei-Akhromeyev, Chief of the Soviet General Staff, has talked of "difficulties" in restructuring the armed forces. Many Soviet officers, he told Krasnaya Zvezda, had not accepted the new doctrine of a "necessary sufficiency" in the Soviet forces, by which numbers are to decline and quality to rise. "It is not easy to introto rise. "It is not easy to introduce new thinking to our lives. There is still too much central sation and paperwork. We must introduce openness in every possible way".

The Soviet reading public was introduced yesterday to the MiG-29 fighter, believed to have been in use in the Soviet air force since 1985. This is the Soviet answer to the US F-16 and will be shown at the Farn-borough Air Show in England

Afghans prepare to go home

Christina Lamb tells of a dangerous repatriation

OW that the Soviet Union seems to have kept its promise to withdraw half its troops from Afghanistan hy today, the pos-sibility of the 3m Afghan refu-gees in Pakistao returning home is rapidly becoming real-

The 95 aid agencies based in Pakistan are preparing for one of the largest repetriations ever, which they see as fraught

with difficulties.

Although the rebels claim to have "liberated" 80 per cent of Afghanistan, so far few of the refugees in Pakistan and Iran have returned.

Reconstruction has begun only in the Panjshir valley of nortbern Afghanistan. The area is free of fighting because the local rebel commander Massoud has promised the regime in Kabul that he will not attack departing troops. About 250 families a day are moving back. The chief representative of

the UN High Commission for Refugees in Pakistan, Mr Rene van Rooyen, helieves that today will be a turning-point: "For there to be e harvest next year, it is vital that refugees return to plant the winter crops. The basic reason why they left Afghanistan is disappearing and they should not

overstay their welcome." However, he is reluctant to advise people to return: "So much conflicting information that we have little idea what they will find."

The main uncertainty is over the number of land mines left by the departing Soviet troops. A human rights lawyer, Mr Charles Norchi, says: "the mines will make the Afghans suffer for yet another decade". Armies usually keep maps of minefields hut, in this case, there has been indiscriminate laying of mines and plastic booby-traps disguised as toys.

The Mujahideen have no mine-clearing eppere-tus - they use either advance parties of goats or their bare hands - and horder hospitals

LONDON'S Stock Exchange is investigating a new insider trading scandal following the dismissal of two employees at leading City merchant banks and the resignation of a third

The three employees are alleged to have passed on or used information about Mecca

Leisure's £590m takeover hid for Pleasurama before it was

announced on August 4. Their departure came only two days after two employees of County

NatWest WoodMac were dis-missed for allegedly using inside information about

Grand Metropolitan's plans to sell its inter-Continental Hotels

Midland Montagu, the investment banking division of the Midland Bank Group, con-

firmed yesterday that "a junior member of the corporate finance staff resigned on Fri-day after being in breach of

last Friday.

Sackings prompt probe

into City insider trading

WORLD WEATHER



Afghans look on at an air base as Soviet troops prepare to leave the country

are crowded with mine victims. Some observers say rebel leaders have deliberately exaggerated the number of mines to deter refugees from returning.
Mr van Rooyen says: "It is no secret that certain political parties consider repatriation undesirable".

Every refugee had to join a political party to qualify for rations. While the refugees stay in Pakistan, the parties retain importance as the main

Although the rebel alliance denies claims by Radio Moscow that refugees are heing shot and arrested as they try to cross the border, many refugees helieve they would be

stopped. Mr van Rooyen doubts that once large numbers of refugees have hegun to return to Afghanistan, repatriation will he es smooth es was their ebsorption into Pakistan. Ten years as refugees have had e profound impact on their pyschology. Pakistan may not be the most advanced country, but it is light years ahead of Afghanistan," he said.

in-house rules." The employee has been identified es Ms

Cathy Rowlands. Midland Mon-

tagu is sdvising Mecca in the

Lazards Investors, the fund

management arm of Lazards

merchant bank, also confirmed that a fund manager had been dismissed for allegedly contravening staff dealing rules. He is Mr Bill Liggins. The third person involved was employed by Morgan Grenfell Securities.

Morgan Grenfsll confirmed

yesterday that a junior equity salesman had been dismissed. He is understood to he Mr

David Gray. Evidence in the case is believed to be on tape

recordings of Mr Gray's tele-

phone conversations at Morgan Grenfell, where a record of all

transactions is kept. Morgan Grenfell's compliance depart-ment told the Stock Exchange

of its suspicions. US journalist sacked, Page 2

The social structure at home has also changed meanwhile. Many Afghans in their late teens remember little of their homeland after 10 years in camps, and have scant respect for the traditional tribal lead-

According to the author of a recent report on post-Soviet Afghanistan, the Afghan man now is not the simple mountain dweller who has never left his valley. The writer predicts bloodshed when renel con manders come into direct con-

flict with traditional leaders. Mr van Rooyen agrees: "Peo-ple who in traditional society would have been nothing have become leaders. It is a hig question how they'll fit into the tribal system where allegiance was to the local malik.".

The return also portends intensified controversy over the possible return to Afghan-istan of the former king, Zahir Shah, who is snpported by some rebels, hitterly opposed by others. A group of tribal leaders is setting up an office in the border town of Quetta

with the stated aim of preparing for the ex-king's return.
The UNHCR has dropped its original proposal to set up feeding stations inside Afghanistan, saying "handouts do not fit Afghan culture." Under con-sideration instead is the transporting of wheat to towns, where it would be sold to middle-men who would take it to

villages and retail it.

The UN body would use the proceeds to create work prommes to repair the infrastructure and irrigation. The money earned by the Afghans would enable them to huy more wheat.

The suggestion will need to be approved at a conference to he held next month in Isla-mambad. However, the UN has already set up a logistics cell to organise the transport and arranged to huy wheat from Pakistan.

The UN repatriation appeal is well short of its \$1.16th tar-get; hut Mr van Rooyen believes that once refugees start to return, money will pour in.

Bush campaign in search of the vital spark

Continued from Page 1

New York and a dark horse, Senator Dan Quayle of Indiana.

Mr Lee Atwater, Bush campaign manager, said an announcement would be delayed until Thursday to maintain suspense and interest

in the convention.

The running-mate dilemma reflects some uncertainty within the Bush campaign over future election strategy. The selection process has lent some suspense to the convention, which is being held in a city far better known for its Demo-cratic Party lineage, going hack 50 years to the demagogua and former Louisiana Governor, Huey Long.

During the Reagan years, New Orleans and the surround-ing sconomy have suffered badly. Over-dependent on oil,

the local port has suffered as a result of the Administration's deregulation of the railroad and trucking industries.

The State of Louisiana has. an unemployment rate of 10.5 per cent, twice the national average and the highest in the

But this week there is a mood of festivity. Delegates arriving at New Orleans air-port are met by jazz bands and. port are met by jazz bands and, when they step out into the steamy heat, they can see well-manicured city parks and streets which are being swept in the early hours of every morning. "This is our hig moment for a comeback," said a shopkeeper in the new shopping mall opposite the Superdome.

Maxwell weighs anchor Continued from Page 1

grammed with the direct lines of at least four merchant banks

in New York and London, Another line connects the sea-borne Mirror Group chairman to the Daily Mirror newsroom, whence Mr Maxwell boasts he can receive a copy of the front page at the same time as the

Macmillan, yet to respond to the Maxwell overtures, is fighting a \$75-a share hid from a group organised by Mr Robert Bass, a Texas investor. Mr Maxwell depicts MCC as a "white knight", rescuing the US publisher from a ruthless

wheeler-dealer.

The publisher's defencs includes a "poison pill" which would break Macmillan into two divisions, information and publishing. An appeal against a ban on the proposal starts today in the Delaware Supreme Court, but, whatever happens, the MCC bid includes a \$1.1bn offer for the information portion of the publisher should its full takeover be turned down. "If the court case goes against us I'm ready to swallow the Mediterranean," Mr Maxwell said on Saturday. Then, after a pause: "Well, I'll certainly drink a glassful."

Europe's slow man picks up speed

The West German equity markets have been defying eco nomic logic for so long that investors might ask them-selves whether it is not time to exploit this perversity. Almost every issue which was causing concern at the turn of the year

- including the level of economic growth and the
exchange rate - has since
come right. But the market remains one of the worst laggards among major world markets, underperforming the FT-A World Index by 13 per cent since the beginning of the year in dollar terms, and the European index by nearly 5 per

cent.

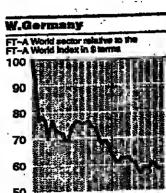
Clearly the West German authorities overdid their gloom about the domestic economy, which is now expected to grow at 2.5 to 3 per cent this year, and virtually everyone worried too much about the D-Mark. The result was predictions of anything from a fall to only a negligible rise in corporate earnings for 1988 – forecasts which are rapidly heing revised upwards following e sprinkling of excellent sixmonth results from the likes of Siemens and Hoechst.

Siemens and Hoechst.

More of the same should be on offer from others and if the dollar holds companies could find their results boosted even further in the third quarter hy further in the third quarter hy
e positive currency translation
effect, for the first time in
years. For weeks already, the
news from the corporate sector
has been upbeat; but German
chairmen may need to repeat
the message for some time
before it sinks in — and if they
are wise, they will say it one or
two extra times for the foreigners. without whom duliness ers, without whom duliness could still prevail.

US closed-end funds

The UK investment trust industry may be declining in size as one after another of the sleepier trusts gets knocked off by the predators, but its US equivalent – the closed end fund business - is going from strength to strength. Indeed, one probably has to go back to 1929, when trosts were being launched at the rate of one a day by such as J. P. Morgan and Goldman Sachs, to find a period of greater ectivity. While no one is predicting that investors in these funds will lose all their money - as many did in the Great Crash - there are signs that the authorities are becoming uneasy about the speed with which unsophisticated investors are being per-suaded to part with their money by some of Wall Street's



better known hrokerage

houses.

In the first eight months of, this year \$13.6bn has been raised by 36 new US closed end funds — more than in all of lest year, which was itself e record — and over the past two-and-a-half years \$27.5bn, or almost as much as the entire market capitalisation of all UK investment trusts, has been investment trusts, has been sucked into an industry which less than a decade ago seemed on the verge of extinction. While the number of new closed funds is relatively small install they accompted for 40 closed funds is relatively small in total, they accounted for 40 per cent of all the money raised by initial public offerings last year, and in the first half of 1988 they were responsible for 80 per cent of the money raised.

There are a number of responses

There are a number of rea-eons for this popularity. According to Thomas J. Herz-feld Advisors, e Miami special-ist in funds of this type, the everage discount to net asset value had narrowed from 28 per cent in 1979 to just 1 per cent at the start of last year; and although it has since widened to 12 per cent it is still far less than the 22 per cent aver-age for UK investment trusts. In addition, Wall Street firms have capitalised on the grow-ing risk averseness of the small investor in the aftermath of last October's stock market crash by launching a number of closed-end bond funds. There is another explanation

for the popularity of recent issues which does not always reflect well on the promoter. Unlike the UK investment trusts, which are largely owned by the institutions, the vast majority of shareholders in US closed-end funds are relatively unsophisticated small investors. Throw in the 7 per cent sales commissions which Wall Street firms earn on new issues, plus the natural ten-dency for most closed-end funds to fall to a discount shortly after the issue, end

there must be a suspicion that first-time investors are some-times getting a raw deal.

Of course there are one or two notable exceptions, such as the Korea Fund, which because of its scarcity value trades at a premium of over 80 per cent to net asset value. And some of the new bond funds, at least, are still selling at a small premium. But on historical evidence this is likely to be temporary, and

ené

likely to be temporary, and Herzfeld, for example, makes a habit of selling short most new issues of closed-end bond funds on the assumption that it will be able to buy the stock cheaper in the future.

As a general rule it is far better to ignore the initial public offering of e closed-end fund, and wait until the price has dropped. In time amali investors may begin to wake up to this strategy, which could slow the pace of new issues; and supply may be reduced by takeover activity as corporate predators see the opportunity for asset stripping. In the meantime, there is a In the meantime, there is a good case for the SEC to insist that Wall Street firms put a more prominent investor health warning on one of their most profitable products.

Stock Exchange

Were it not for the quarterly post-mortems in the Stock Exchange's Quality of Markets report, one might have thought that everyone had got tired of discussing the crash. However, the latest issue shows that London, along with Paris and New York, was almost alone in even starting such discussions. Judging by the response to London's questionnaire, most of the world's other exchanges seem to heve done no soul-searching et all: they have no clear idea of who was buying and selling last October, do not think that they are any not think that there are any lessons to be learnt from the crash, and see no need for pre-ventative action. When it comes to discussing the causes. most foreign exchanges simply think of it as e one-off global event in which national influ-

ences played little, if any, part.
It is all very well for London
gently to deplore the lack of
thought that has gone into the
matter. Its statistics on trading volumes since the crash sugst that it must have more leisure for examining the entrails than most other hourses. While turnover in London is stuck 30 per cent below pre-crash levels, volume in the rest of Europe taken together is up by nearly 10 per

Equipment-Contracting-Services

- Operating profit up 44%
- Profit before tax up 25%
- Earnings per share up 20%
- Substantial progress towards growth targets
- Heavy investment in specialist access and fire sectors
- Strong recovery in contracting and building services
- Continued growth in geophysical services

	Six Months Ended 30 June 1988 £000	Ended Ended 30 June 1988 30 June 1987	
Turnover	284,535	248,758	541,319
Operating Profit	12,289	8,507	21,452
Profit before Tax	11,743	9,405	23,553
Profit after Tax	7,633	6,535	16,365
Earnings per Share	11.3p	. 9.4р	24.4p
Ordinary Dividend	3.5p	2.7p	11.5p

The abridged profit and loss account for the year 1987 is an extract from the latest published accounts which have been delivered to the Registrar of Companies; the audit report for

Copies of the full Interim Report may be obtained from The Secretary

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SECTION III

FINANCIAL TIMES



The government of President Joaquim Chissano has started to win international support for its

military and economic battles. But peace, still some way off, is critical to the country's recovery programme, writes

Michael Holman, Africa Editor

Tenacity in adversity

battled with such tenacity major donor, while the Interna-against disaster, both tional Monetary Fund praises natural and man-made, as

Today the Frelimo government of President Joaquim Chissano is campaigning on three fronts — military, eco-nomic and diplomatic — to bring about recovery and win

support for its cause.

As well as trying to cope with alternating drought and floods which marked the early 1980s, the government is fighting rebels who are responsible for, in the words of a senior US official, "one of the most brutal belocanets. holocausts ... since World War Two"; it is radically changing its economic policies, once dominated by an unrealistic socialist blueprint; and is winning increasing western aup-port for its efforts to provide black southern Africa with trade outlets which would end their dependence on rontes through South Africa.

The result is what might eem some unlikely alliances for an ostensibly Marxist government. Although close ties remain with the Soviet bloc (Frelimo's main backer in the war for independence), British bican army and Mrs Margaret Thatcher has a standing invita-

rvices

the reform programme.

Whether the combination of international assistance and international assistance and the government's tenacity in the face of adversity will be enough to tilt the balance away from disaster and towards development remains to be seen. Much will depend on whether the war against the Mosambiane, Netical Resident Mozambique National Resistance (MNR) can be brought to an end, and this in turn depends on relations with South Africa.

A non-aggression pact with Pretoria, signed in 1984 by the bate President Samora Machel, proved critical in forging closer ties with the West but failed to bring the conflict to an end. Mozambique honoured its side of the pact, ending transit facil-ities for guerrillas of the Afri-can National Congress (although Pretoria maintains that some insurgents still cross the common border). But South Africa, which took over white Rhodesia's role as the rebels' main suppliers in 1979. did not keep to its side of the

Following what seems to be two governments, this may change in the meantime, as Dr



Mozambique

Mario Machungo, the Prime Minister, explains, the government cannot delay economic changes until the MNR is defeated. "They are two sides of the same coin. We cannot wait for the end of the war to start economic rehabilitation. And we cannot postpone the consolidation of the economy while we defend our country."

The government faces a for-midable challenge. A bleak colonial inheritance from Portugal, a chaotic transition to independence in 1975; weather which has alternated over the past decade between drought and flood, more than 20 years of conflict and some costly government policy mistakes have devastated the country. Today almost a third of Mozambique's 15m people are either living as refugees in neighbouring states, displaced

killed by the Mozambique National Resistance. Mozambique's first war was for independence, waged by Frelimo. The second immedi-

realimo. The second immediately followed, when Rhodesian forces hit a wide range of targets, including bridges, dams and power stations, in retaliation for Mozambique's support for the guerrilla army of Robert Mugabe, who was to become Zimbabwe'a first Prime Minister. Then followed the third and current conflict against the MNR, easily the worst of the three. Damage and lost earnings ran into billions of dollars. Aside from attacking ports and railways - losing Mozambique service charges and ensuring that its neighbours became

dependent on South African routes - the MNR waged a savage campaign against the civilian population, Over 2,200 primary schools, 700 clinics, from their homes but still liv-ing within the country, or dependent on food aid. Nearly 100,000 died in the famine of 900 stores and 1,300 trucks, buses and tractors have been 1983-84, and as many have been

It has been a body blow against an already fragile economy, which today functions at a fraction of 1974 levels, the year before independence.

The decline gathered pace after 1980, when the war started to intensify. Exports have fallen 60 per cent between 1980 and last year. Transport earnings dropped from \$915m in 1980 to \$412m in 1985, and remittances from Mozambican workers in Sonth Africa fell sharply as the mines in the republic, under pressure from the government, drew more and more on domestic labour. The external debt of some \$3.2bn has a theoretical annual repayment rate of nearly three times the value of exports.

The most important target for the rebels are the three rail-way lines to the ports of Nacala, Beira and Maputo, serving the black-ruled hinter-land. Rehabilitation of the lines and the ports is under way, under the auspices of the Southern Africa Development

Co-ordination Conference, the nine-member association of African states. Considerable progress has been made, but questions remain about the curity of the routes.

After the war, the greatest single obstacle to recovery is the acute shortage of skills. Portugal left behind an illiteracy rate which exceeded 90 per cent, and most of its 200,000 settlers decamped in the cha-otic months before and after

independence.
Alarmed by Frelimo's Marxist rhetoric and frightened by a spate of killing and counter-killing, triggered off by a futile revolt by rightwing whites in Lourenco Marques, since renamed Mapnto, they took what they could carry offer. what they could carry, often destroyed what they had to abandon and left behind a country almost bereft of a managerial and entrepreneur-ial class.

The network of rural trading stores — a vital part of the agricultural system — closed,

industry and manufacturing slumped overnight and commercial farming all but ceased. Partly in accordance with an ideology which demanded state control of the economy, and partly because people looked to the state to help fill the gap left by the departing Portu-guese, much of the economy was in effect nationalised

within months, from corner

shops to cement factories.

If the rhetoric of the day was to be believed, Mozamhique had embarked on a transforma tion for which the only parallel would be post-revolutionary Russia, Barly in 1980, buoyed by the belief that Zimbabwe's independence marked the dawn of a new, happier era for Mozambiqne, Samora Machel launched what was to be a "decade of victory over under-

Although the state handed back some concerns to the private sector, the grand scheme envisaged the mechanisation of an agricultural sector domi-

CONTENTS

Economy: rural areas hold

against South Africa

the name of the game

an's Guide President Chiasano Photos: Mozembique ion Agency

nated by vast state owned farms. People were to be regrouped in communal villages, making the provision of social services easier, and also leading to the "urbanisation of the rural zones", as Frelimo put it. Industrial development was to include a steel rolling mill using Mozambique's ore smelter, drawing hydro-electric power from the country's giant Cahora Bassa dam and local

The rhetoric was overtaken by reality - not only of contin-ned war, but of manpower and capital constraints - accompanied by the belated acknowl-edgement that the agricultural policy was a fiasco. As other African countries had discovering), neglect of peasant farmers, the bedrock of production, proved

disastrous. The turning point came in 1983. At Frelimo's fourth congress, delegate after delegate, encouraged by Machel, condemned the party's unrealistic policies and particularly those applied to agriculture. The reforms that then got under way laid the basis of the economic changes which bave

chissano's leadership.
In January 1987 the government reached the culmination of this long process. The meti-cal was devalued, and has moved from 39 to the US dollar to around 580 today. Price con-trols have been lifted on all but some 30 items, and even this list will be trimmed. The budget deficits have been reduced to levels agreed with the IMF. The number of state-owned trading monopolies has been reduced from 14 to six. Exporters bave been encouraged through schemes which allow them to retain between 30 and 70 per cent of foreign exchange

rmings. Ministers extol the virtues of Continued on Page 6



THE ENTREPOSTO GROUP OF COMPANIES IN MOZAMBIQUE

 HOLDING COMPANY Companhia de Moçambique — Maputo

INDUSTRIAL COMPANIES

Mocambique Florestal

Mocambique Industrial Comp.* Industrial Monapo -- Monapo - Maputo S.E. Ginwala Comp. Cajú Monapo - - Monapo

Comp.* Nacional Algodoeira — Beira

COMMERCIAL COMPANIES

Entreposto Comercial de Moçambique -- Beira

Entreposto Comerc. Niassa - Nampula Entreposto Com. Zambézia — Quelimane Toyota de Mocambique Rádio Scala

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- Maputo

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FROM MOZAMBIQUE TO THE WORLD.



Maputo tries to attract foreign investment

WHILE THE Marxist rhetoric lingers on, economic policy in Mozamhique is increasingly capitalist and outward-looking. This is the consequence of the failure of socialism during the first 10 years of independence and a recognition that there can be no sustained recovery without western aid and investment. The policy shift is perbaps moet evident in Mapnto's new campaign to attract foreign investment, spearheaded by the Office for Foreign investment Promotion

There are no reliable figures of the level of foreign investment in Mozambique. market. The main areas of than in new ventures, is at the top of the agenda.

government's reduced role in the economy under the reform programme, there are unlikely to be many joint ventures with local partners. Despite this,

The main opportunities are in agriculture and agro-industry. Foreign investment in existing facilities, rather than in new ventures, is at the top of the agenda

Immediately after independence the government was forced to take over many Portuguese-owned enterprises in agriculture, industry and services that had been abandoned by their owners. Some enter-prises were nationalised, state farms were established and with the exodus of Portuguese entrepreneurs foreign trade and some parts of domestic commerce were dominated by

state trading corporations.

The policy U-turn came at the Fourth Frelimo Party Congress in 1983 which paved the way for far-reaching economic reforms, including e revamped legal framework for foreign investment, first published in August 1984. This established the GPIE with the function of attracting new investment, but it is only since January 1987 when the economic rehabilitation programme was launched that GPIE has come into its own as a largely independent

GPIE's investment guidelines give priority to new foreign investment projects designed to increase and diversify exports, save foreign exchange through import substitution, improve the balance of payments and increase the supply of goods to the domestic

Take your pick.

First, executive or tourist class. Mozambique is closer to you with

investment opportunity identified are in agriculture and agro-industry, but minerals. light industry and tourism also bave strong development potential. Foreign investment in existing facilities, rather

There is preference too for local partners from either the private or the public sectors. Given the very limited indigenous private sector and the

GPIE has identified local sponsors in Mozambique as poten-tial partners in ventures with

foreign entrepreneurs.

Investment legislation guarantees legal protection of foreign-owned property acquired in terms of the 1984 Direct Foreign investment Act. It also specifies the right to remit profits and re-export capital. There are three categories of investment incentives: General incentives provid-

ing exemption from customs and import duties on imported equipment and materials necessary for project implementa-tion. In addition, duties on raw and intermediate materials used in the manufacture of goods for export are also waived. Foreign technical staff employed in project feasibility studies or project implementation are exempt from income tax, while there is no tax on profits transferred to reserves in terms of the agreed invest-ment authorisation document. Firms may deduct from taxable profits the equivalent of 300 per cent of "reasonable expenses" incurred in training

Mozamhican personnel.

Depending on the actual project authorisation agreement, profits earned by a new venture are free of tax from two to 10 years, while for a similar period there is no with-holding tax on profits distrib-uted to foreign shareholders.

 Category three incentives are specific to individual projects with the Council of Ministers being anthorised to establish lish additional incentives on investment projects of outstanding importance" to the economy

Where e project generates and retains foreign exchange, profits may be remitted abroad using these funds. The norm is to allow exporters to retain between 30 and 70 per cent of their export revenues though it is intended to reduce this ratio to 50 per cent. Where a project to 50 per cent. Where a project can be shown to have generated import savings, then transfers abroad are allowed on the basis agreed in the original foreign investment authorisation document. Permission to remit profits is normally granted within 90 days of remest.

GPIE fulfils two main functions. First, it is responsible for extracting new investment from abroad. To that end it has published details of the relevant legislation, a synopsis of a detailed investors' guide (the entire document is scheduled for publication within a month) and a booklet advising investors how to submit their project applications.

The fallure to encourage domestic investment could undermine efforts to attract foreigners since prospective newcomers pay attention to the experience of those already in the market

The second function is that of the "one-stop investment shop." Prospective investors are required to submit four copies of a very detailed investment proposal to the GPIE which the proposal to the CPIE. which appoints one of its analysts along with an official of the relevant government department to appraise the project. This may involve rene-gotiation of some aspects of the proposal which is then put to an evaluation committee, chaired by the director of GPIE with representatives from the central bank, the national

instability in southern Africa, will find it difficult to overcome investor reluctance.

But by establishing the investment promotion office, providing a broad range of incentives and implementing a reform package that gives pride of place to economic efficiency at the expense of political ideology, the Maputo government has gone a long way towards creating a positive environment for foreign investment.

mozambique airlines

planning commission and gov-ernment ministries including those of Finance and Trade. If

this committee approves, the project goes to the Minister of Planning – and depending on its size and scope – possibly also to the Council of Ministers for final authorisation.

The strategy is criticised as

being one-sided by business-men in Mozambique, whose ongoing operations do not enjoy the same incentives and treatment. They point out that

the failure to encourage domes-tic investment will undermine

efforts to attract foreigners

since prospective newcomers pay close attention to the expe-rience of those already in the

Given Mozambique's rich

natural resource base and the scope for reviving projects that were profitable before indepen-

dence, there is no shortage of foreign investment opportuni-

ties. The key constraints remain the war, serious infras-tructural bottlenecks and the

acute shortage of skills, at just about every level.

In addition, Africa is attract-ing little foreign investment

these days and a country with major shortcomings of infra-structure and skills, whose investment climate is likely to

continue to suffer as a result of escalating regional political

FOREIGN RELATIONS

South Africa move leads to closer links with the West

the late President Samora Machel in 1984 has proved a watershed in Mozambique's foreign relations.

After months of deliberation, and after consultations with the Soviet Union, one of Mozambique's main allies, President Machel reluctantly decided that the price being paid for his government's assistance to the African National Congress of South Africa was too high. The assistance was comparatively product allowing the recommendations. modest, allowing the passage of arms and guerrillas into South Africa, but — unlike Angola and Tanzania stopping short of providing

training camps.
It nonetheless gave Pretoria It nonetheless gave Pretoria an excuse for its support of the rebel Mozambique National Resietance, waging an increasingly successful campaign of sabotage of economic targets, including ports and railways, and terrorising the civilian population

in March 1984, at the border town of Nkomati, President Macbel and President P W Botha signed a non-aggression pact which also envisaged greater economic co-operation betwaen the two countries. Mozambique expelled officials of the ANC's guerrilla wing, including the then chief of staff, Mr Joe Slovo. In return, South Africa was expected to close an MNR camp in the northern Transvaal, end its own commando operations in Mozambique, and stop airdrops

Mozambique, and stop airdrops of supplies to the rebels.

The decision stunned the ANC, angered some of the black-ruled states of the region, and provoked private misgivinge witbin Mozambique's ruling Frelimo party. But as enbeequent developments were to show, although the pact failed to end South African support of the South African support of the rebels, it proved critical in Mozambique's campaign to win western economic, humanitarian and military aid. It soon became clear that the

pact's first and most important objective — an end to the war
— had failed. Documents
captured in 1985, when the
rebel headqnarters at
Gorongosa was overrun,
showed that Mr Louis Nel, then South Africa's deputy foreign minister, had visited the headquarters months after the pact was signed, and military assistance had not ended. Mozambican ministers maintain that covert aid has continued. South Africa, for its part, claims that ANC guerrillas have continued to infiltrate through Mozambique.

Western diplomats, however, put the burden of the blame for the pact's failure on Pretoria. For the US and Britain, as well as other western states, evidence of South Africa'e bad faith - together with Mozambique's willingness to undertake economic reforms, and its key role in regional efforts to reduce transport dependence on South Africa -has been critical in shaping policy towards the government in Maputo.

This combination helped avert the possibility that Washington might grant the MNR the same military and diplomatic support given to Angola's Units rebel

Unlike Units, the MNR, some 10,000 strong and commanded by Afonso Dhlakama, does not have a credible pedigree. Created by the Rhodeslan government in the mid-1970s as a way of harassing the Mozambique government, the MNR was taken over by



Pascoal Mocumbi, the country's Foreign Minister

Pretoria in 1980, when has made ties especially Rhodesia became Zimbabwe. cordial. The standing of the MNR, which from its inception had a close links with the West, including institutions such as the International Monetary reputation for brutality, was finally demolished in a recent US government report which calculated that the rebels had killed more than 100,000 civilians in the course of its campaign against the Fund and the World Bank. The

US support for the Mozambique government has, if anything, become firmer under Samora Machel's successor, President Joaquim Chissano, In the case of Britain a further point must be added; Mrs Margaret Thatcher's appreciation of President Machel's efforts to ensure that the 1979 Lancaster House conference on Rhodesia's independence was a success

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Minister of Home Affairs ...

Minister in the Presidency

Minister of Agriculture ... Minister of Health

Deputy Minister of Trade ...

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Minister of Finance

inister of Justice

Minister of Culture ..

Minister of Labour

US is the largest supplier of food aid, worth \$70m in 1987 and likely to be matched this year, Italy (\$50m in aid expected this year) and Sweden (\$30m) are among the leading donors, while last year Britain provided over £34m in development aid, food aid and disaster relief. But Britain's most appreciated contribution is probably in the military sphere: a training scheme in Zimbahwe for Mozambican

army officers.

This link between aid projects, and the need to provide direct or indirect

Emilio Guebuza

Antonio José Lima

Rodrigues Branco

Jacinto Scares Veloso

Manuel Jorge Aranda da Silva Abdul Magid Osman

....Col Manuel José Antonio

Feliciano Salomão Gundana

Jose Mário Salomão

ular Jonassane Reginaldo Real

Alexandre Jose Zandai

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Naiyar

... Daniel Gabriel Tempe

Joso Carlos Beirão, Paulo Adelino Mulanga

Hipólito Pereira

THE GOVERNMENT

Minister of Security Maj-Gen Mariano de Arabio Matsinha

Minister of Information ...,Teodato Mondim da Siva Hunguana

protecting them, is increasingly accepted by western donors. It makes no The result is increasingly sense to help build a bridge, for example, or a factory, only to have it destroyed by the MNR," ecknowledged a western diplomat. "We must do more to ensure that the Mozambican army is better trained, better equipped, and capable of defending the projects we bave

backed.

There is little likelihood however, that this assistance will go beyond military trainwin go deyond ministry training and supply of what is termed "pon-lethal" equipment such as radios or vehicles. For direct help Mozambique's hard-pressed 30,000-strong army will continue to rely heavily on its regional allies.

Some 8,000-12,000 Zimbabwean soldiers play a leading role in protecting the road, rail and oil pipeline "corridor" from Mutare to the port of Beirs, the railway from Zimbabwe to Maputo, and the road through Tete to Malawi. Soldiers at battalion strength

from Malawi and Tanzania are also either deployed in north-ern Mozambique, or are held in reserve, but have been unable to secure the rall link to Nacala port.

It seems clear that even with this assistance. Mozambique will not enjoy peace until South African support for the MNR ceases.

There are some signs that relations between the two countries are improving – an agreement was signed last June on the repair of cable pylons serving the Cahora Bassa hydroelectric dam, from which South Africa will take power, and in May the governments agreed to resume meetings of their joint security com-mission, established under the Nkomati pact.

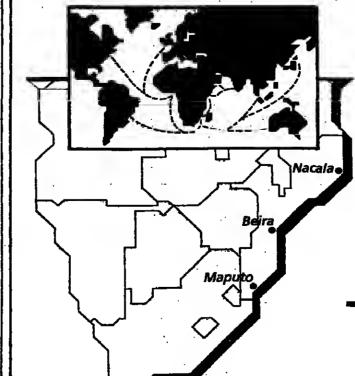
Mozambican officials, however, remain in doubt about Pretoria's intentions. "We are waiting to see the concrete results," says a sceptical minister.

Michael Holman

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THE BELIEF that a Marshall

appropriate in contemporary Africa is currently being put to the test in Mozambique, one of

transformed into self-sustained

growth if three crucial condi-

• The first and most obvi-

nomic recovery will be con-

fined largely to the main urban centres such as Beira and

Maputo, but Mozambique is

essentially an agricultural economy with farming provid-

ing more than 45 per cent of GDP. There will be no eco-

nomic recovery, let alone renewed growth, without a

return to normality in rural areas, while the recovery will not take hold in the absence of

a major resurgence of agricul-tural exports. An improved

security situation is all the

more important given the need for a reliable and efficient

transport system and the exploitation of mineral

resources in remote areas currently threatened by the MNR

concerns the management and exploitation of the economy.

With the exodus of the Portu-guese colonialists in 1975, cou-pled with a literacy rate at the

time of a mere 7 per cent. Mozambique was ill-equipped to manage a modern economy.

The large-scale rehabilitation

programme currently under way - most evident in trans-port - will pay lasting divi-dends only if it creates human

skills to operate, maintain and

repair machinery, vehicles and

port installations. So critical is the shortage of technical skills

and of managerial expertise that a period — indeed a pro-longed one — of "judicial man-

agement" by the aid agencies

is likely to be necessary to ensure that rehabilitation is translated into self-sustaining

This requirement is reinforced also by the fact that

a high proportion of existing

aid inflows are emergency in character and therefore unlikely to provide a basis for

subsequent economic growth.

In recent years about 80 per cent of all imports of goods and

services (excluding interest payments) were funded from

Third, not even the most

sanguine observers believe

that the aid agencies, on their

own, can or will turn the Mozambique economy around, Admittedly, an appropriate pol-

......

May

Rouli

Africo

• The second prerequisite

tions are met.

the world's poorest countries.

How aid might lead to self-sustained growth

Rural areas hold economic recovery key

Aid inflows averaging some \$800m annually have fuelled the beginnings of a economic recovery but this will only be icy framework has been devel-oped by the IMF and the World Bank, but this is not going to rejuvenate the economy in the sence of a major increase in private sector investment. Because the indigenous private ous is an end to the war. At present, the danger is that ecosector is tiny, meaningful levels of investment will be achieved only if foreign companies are prepared to take the plunge on a scale not experienced elsewhere in the region in recent years, with the possi-ble, and partial, exception of

The magnitude of the economic recovery task can hardly be exaggerated. Between 1980 and 1986 produc-tion fell by about a third while per capita incomes halved.
Exports fell 60 per cent from a
peak of \$280m in 1980 to an
estimated \$96m last year while
the ratio of exports to GDP
plunged to below 4 per cent in plunged to below 4 per cent in 1986 from more than 17 per cent in the early 1980s. Traditionally, Mozambique relied on substantial earnings from invisible transactions transport revenue from its ports and railways and the remitted income from migrant

There could be no clearer rejection of the dogma of state control than Maputo's current emphasis on private Initiative

workers on the South African mines - to cover its trade gap. But the decline in transport earnings from Meticals 3hn in 1980 (\$915m) to Mt1.7bn in 1985 (\$412m) at a time of plummet-ing exports and stagnant worker remittances resulted in a near-doubling in the current account deficit from Mt13.7bn in 1980 (\$4.2 bn) to Mt25.2bn in 1986. This occurred despite

stringent controls on imports which virtually halved from \$800m in 1980 to \$420m in 1985. As the war escalated, so the share of food imports in the total doubled to 27 per cent while imports of spare parts and equipment declined by some 25 per cent. Between 1880 and 1986, the import/GDP ratio fell from 37 to only 14 per cent, underscoring the severity of stringent controls on imports underscoring the severity of import starvation, a problem

exacerbated by the need for substantial imports of food and

	1961	1985	1986	1967*	1988*	1969°
Exporte	281	77	79	96	105	130
Imports	801	424	547	645	765	800
Trade balance	-520	-347	-468	-549	-660	-670
invisibles (excluding interest)	. 90	24	46	-28	-19	-5
Debt-servicing	345	382	544	504	456	410
Financing required	775	705	965	1,081	1,135	1,085
Ald toflows	778	368	497	693	663	693
Debt relief	-	193	-	408	334 ·	264
Arrears	-	153	536	-	-	-
Financing gap	-	-	-	-	126	142

External difficulties were compounded by the worsening foreign debt situation. At the end of 1966, disbursed foreign debt was estimated at \$3.2bn, of which just over one-third Eastern bloc and 40 per cent loans from OECD countries and banks, while outstanding arrears amounted to \$1.2bn. The debt-service ratio (interest and debt repayments as a ratio of exports) was 275 per cent, despite the 1984-85 reschedul-ing agreements with Paris Club creditors.

Continuing dependence on the combination of aid flows and debt relief is evident from the table, showing current account outflows and amortisa-tion of foreign debt averaging \$1.1bn annually during 1987-90. Although exports are forecast to double between 1985 and 1990, the trade gap will double from \$350m to \$775m, leaving a current account deficit by 1990

in the region of \$860m.

Aid inflows — excluding emergency assistance — are forecast to average \$893m annually over this period, still leaving a financing gap of \$400m a year. The pre-Toronto debt relief would contribute some \$800m of the required \$1,2bn, leaving new commitments of \$400m still to be secured. While the Toronto initiative should reduce the financing gap still further, the fact that aid flows and debt relief between them will be called upon to meet almost 90 per cent of Mozambique's foreign obligations highlights the continuing and massive imbalance between external assistance and domestic resources, Acknowledging that such a situation is unsustainable over the medium term, Mozambique

launched a far-reaching eco-

broad range of IMF/World Bank-type reforms. The meti-cal was devalued from 39 to the US dollar 18 months ago to its current level of 580 to the dolsuccessful in boosting exports, realigning domestic prices and narrowing the black market premium from some Mil.450 to the dollar to around Mi600 in mid.1002 mid-1988.

Price controls have been relaxed, reducing the number of products with fixed prices from 46 to just over 30 while massive price and wage increases were announced after major devaluations. Inflation last year was estimated at 166 per cent and this has had a severe impact on low-income groups in urban areas where itcosts a month's salary to buy a

substantially this year to 60 to 70 per cent, partly reflecting devaluation allied with sharply higher interest rates and a stabilisation of the fiscal deficit. With military spending absorbing a third of the national budget, policies to reduce the bud-get deficit have focused - on the revenue side - on broadening the tax base and improving collection, while on the expenditure side subsidies are being cut and capital spending is being tied to aid flows. On the external side, mea-

sures to improve economic efficiency include a reduction in the number of products that must be traded through monopoly state trading enterprises from 11 imports and three exports to five imports and one export. Import liberalisation also includes plans to allow at least some imports without quotas while exports are being encouraged by the retention scheme that allows exporters to retain between 30 and 70 per cent of the foreign It is vital too that Mozambi

que diversifies as well as expands exports. Last year prawns accounted for some 40 per of total exports while cashew nuts contributed 34 per cent. The balance was made up largely of agricultural products

cotton, tea, sugar, copra and citrus – and refined petro-

agricultural recovery takes hold, there is scope for a strong recovery in farm exports, produced both on family farms and on estates, but prawn production appears to be close to its limits of commercial exploitation. This means that agricultural exports must expand rapidly if the ambitious 20 per cent annual growth rate target

in export volumes is to be met.

A combination of policy reform and aid inflows has reversed the prolonged downturn in the economy over the past two years. Real GDP increased 4.3 per cent in 1986 and a further 4 per cent last year with growth being spear-headed by an 18 per cent expansion in manufacturing and 5 per cent in construction. The war continued to affect output in agriculture which was little changed and in transport where there was an 8

per cent decline.
While the recovery plan projects an increase in the growth rate to 6 per cent this year, officials expect growth to be slightly slower than in 1986-87. leum. Clearly, as and when But over the 1986-90 period

growth is forecast to average between 4 and 5 per cent annually, with the population increasing at 2.6 per cent a year, implying a steady recovery in real living standards.

The Marshall plan strategy and the gradual return to decentralized marshall than decentralised, market-determined pricing and output decisions have generated an improved climate for business and investment decisions, but for growth to become self-sus-taining, as distinct from heavily aid-dependent, it is essential for the ordinary Mozambican, in the words of Finance Minister Magid Osman, to become "more self-reliant" and less dependent

There could be no clearer rejection of the dogma of cen-tral planning and state control than Maputo's present emphasis on privete initiative, for-eign investment and reliance on market signals. If the war gather momentum during the 1990s, but there is a very long and difficult road ahead in rebuilding, virtually from scratch, an economy that even in its heyday was little more than an undeveloped colonial enclave.

Tony Hawkins

BANKING

Challenges that must be tackled

ALTHOUGH MOZAMBIQUE operates only a very rudimentary banking system with virtnally no effective competition, monetary policy is playing a key role in the

The banking system that emerged from the nationalisation and consolidation of the late 1970s is dominated by the Bank of Mozambique (BDM) which operates both as a central bank and a state-owned commercial bank. It has a monopoly of external transactions though a decision in prin-ciple has been taken to allow the country's sole privatelyowned bank - Banco Standard Totta, part of the Standard Chartered group - to operate with a partial foreign exchange The central bank accounts

for about three-quarters of the credit in the economy, lending both to state owned enterprises and the private sector. A further 20 per cent is provided nomic recovery programme in by another state-owned institu-January 1987, encompassing a lition, the Banco Popular do

Desenvolvimento (BPD), which lends mainly to agriculture, while Standard Totta's market share is put at 5 per cent. The bulk of bank lending has been to the public sector with state and so-called "intervened" enterprises - those picked up by the government when their Portuguese owners fied -accounting for some 87 per cent of outstanding bank credit

In the first half of the 1980s. domestic credit trebled, resulting in excess liquidity in the system at a time when output was falling. People ware increasingly reluctant to hold money with farmers insisting on bartering their crops for essential inputs or scarce consumer goods. At the same time, many Mozambicans had access to limited amounts of foreign currency in the form of South African rands brought in by returning migrant workers. By the mid-80s, barter and

meticais balances in the banks. Bank lending took three main forms - loans to government to fund the budget deficit, loans to cover enterprise losses and on-lending of aid inflows. All this changed when the rehabilitation programme was launched in January 1987. Interest rates were raised from a range of 0 to 6 per cent for deposits and 3 to 10 per cent for loans to between 3 and 20 per cent for deposits and 12 and 35 per cent for loans. Overall credit ceilings were set

and new criteria emphasising commercial principles were established for the evaluation of bank lending. In 1988, for instance, credit is being allowed to increase 43 per cent with a marked reduction in real lending to government

To mop up excess liquidity and help finance the budget deficit the government issued 10bn meticals (\$1.7m) of foreign currency transactions predominated in the economy, resulting in substantial idle redeemed in 1993 at their face

value of 10,000 meticais plus a 60 per cent premium designed to offset inflation. Interest is payabla in US dollars at the rate of \$1.3 per bond, equivalent to a current yield of some 7.5 per cent.

Interest can be used to pay for imports, to buy goods in the foreign currency shops or to purchase travellers' cheques for overseas trips. Whether such bond issues will retain their popularity remains to be seen, given inflation forecast at 60 per cent in 1988 alone, but the creation of a vehicle to mobilise domestic savings, with the added sweetener of interest payable in foreign currency, is obviously an important step forward in developing a domestic capital

market. Three important challenges to be tackled include the need to provide bridging finance for rehabilitation projects which may need to be carried for a prolonged period before breaking even. A key problem waiting in the wings is

loans which will probably necessitate a government rescue package. Thirdly, as elsewhere in the economy, training of skilled bank staff will remain a top priority for the foreseeable future.

But for the immediate future, monetary policy will be called upon to restrain credit growth and help check nflation, while contributing to the financing of the budget deficit. This will continue to be done by way of credit ceilings and high nominal interest rates, though there are plans to move to a system of monetary base control, using reserve requirements, later on in the programme. At the same time, it will be necessary to ensure that credit is available to those sectors of the economy with the capacity to supply goods to the domestic market and generate foreign exchange and jobs.

Tony Hawkins



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MAPUTO

Strong recovery potential

AFTER FALLING 25 per cent in the first half of the 1980s, management of the businesses manufacturing output has recovered in the past three years especially during 1987 when production rose some 20

Industry's share in GDP peaked at 13 per cent just before independence in the mid-1970s, declining to only 7 per ceut by 1985. Manufacturing was particularly hard hit by the collapse of export crop production since not only was there a fall in processing activity, but industry was starved of the foreign exchange needed to purchase imported

During the 1980s, industry etructure hae chauged, eflecting the reduced role of food processing. At independence, three sectors accounted for more than half industrial production, with food processing contributing just over 30 per cent of the total while beverages and textiles accounted for 10 per cent each. By 1986, the share of foodstuffs in the total had halved while textiles and clothing accounted for onethird of the total and beverages

and tobacco 26 per cent.

There are an estimated 575 manufacturing enterprises in Mozambiqoe, most of them state-owned or "intervened

abandoned at independence by their former owners. Some two-thirds of industrial output emanates from the state-owned

In the wake of the steen decline in manufacturing activity, there is potential for a strong rebound, based initially on increased capacity utilisation, which is currently estimated to average 35 per cent, ranging from a low of 9 per cent in soap production to a high of 88 per cent for digarattee.

But becanee so much manufacturing activity is highly import-dependent, substantial increases in imported imports are a prerequisite for higher capacity utilisation rates. The recovery programme projects a 50 per cent increase in imports for manufacturing industry over the next three years with raw materials absorbing threequarters of the import bill while spare parts and capital equipment make up the

The top priority is increased production of consumer goods for distribution in rural areas the logic being that this will encourage increased cash crop production by peasant farmers. Second on the list is the

and building materials while the planners are also anxious to boost output of those products, like beer and cigarettes, that generate

increased government revenue.

The massive devaluation of the currency can be expected to boost import-replacement activities and encourage manufacturers to utilise local rather than imported raw materials where at all possible. At the same time, devaluation At the same time, devaluation has increased the local currency cost of imported capital equipment and spares by a factor of 15 and this could well jeopardise industrial rehabilitation in some cases. Mozambican officials acknowledge this problem, but point out that major devaluation was inevitable and that its impact on the rehabilitation programme is rehabilitation programme is being cnshioued by aid

It is argued too that the industrial policy environment has improved out of all recognition following the realignment of the exchange rate, the moves to allow greater managerial autonomy in state euterprise, and increased flexibility both in pricing decisions and access to foreign exchange. The number of industrial items subject to fixed prices has been reduced

But given agriculture's domi-nant position in the economy it seems clear that the aid-fuelled industrial revival will run out of steam unless or until there is a major recovery in rural demand for domestic manufactures and increased farm production for local processing. Agricultural recovery rather than aid is the key to sustained industrial growth. Mining's role in the economy

is peripheral with production accounting for 0.7 per cent of GDP in 1981. Output has since declined as the war has wors-ened to the point where in 1986 its share of GDP was less than

Coal is the most important product with known reserves in excess of 6bn tonnes. After nationalisation in 1978 produc-tion at the Moatize Mine doubled, reaching 330 000 tonnes in 1981, but this exceeded the capacity of Beira port and procapacity of Beira port and pro-duction was subsequently reduced when the line to the sea was cut by the rebels. By 1985 production had plum-meted to less than 50,000 tonness annually. There are ambitious plans to produce up to 5m tonnes annually, primar-ily for export, but this will not be possible without a major improvement in the security ment in infrastructure, including the port of Beira itself.

Because only limited prospecting has been undertaken, the full potential of the mining industry is simply unknown, but a recent report on mineral potential in the region identi-fies 11 projects in Mozambique, including bauxite near the Zimbabwe border, graphite, fluorite, platinum-nickel and

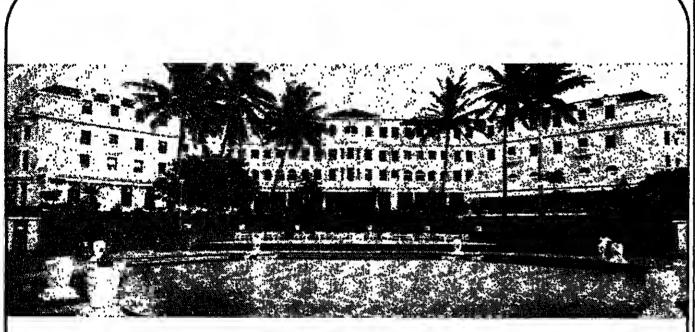
Mozambique also possesses what are believed to be the world's largest reserves of tanworld's largest reserves of tan-talite and nsed to be the world's second largest pro-ducer, but last year exports were worth only \$400,000. Two years ago, Lourho signed an agreement to mine gold near the Zimbabwe border while the US Edblow group is investiga-ting a titsnium project in the

There is potential too to develop a steel complex at Tete based on high-quality iron ore



Food processing is not as significant as it was, but cashew nuts are still an important export

Tony Hawkins



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MAPUTO-MOÇAMBIQUE



An armed soldier on the look-out in Gorongoss, about 100 kilometres north-east of Chimol-

AGRICULTURE

Guerrillas strike at farms

NO SECTOR of the Mozambican economy is more important, or in more of a shambles, than agriculture. In peacetime, farming should provide 85 per cent of employment and nearly half of the gross domestic product. Agriculture and prawn fishing together account for all but a fraction of exports.
But since independence in

1975 the story of Mozambican agriculture has been one of catastrophic decline. Most of the Portuguese colonisers abandoned their plantations to the country's new Marxist-Leninist rulers and their vision of a land tilled by the tractors of giant state farms and co-operatives. Nearly a fifth of the rural population were collected into communal

villages.

The effects of such policies (now discredited and in some cases reversed) have been far surpassed by the impact of the guerrilla war since South Africa began supporting the Mozambique National Resis-tance in 1980. MNR rebels waging a campaign of terror have brought farming to a standstill in many areas, making roads impassable, isolating villages from their markets, destroying machinery and sabotaging tea and sugar factories. The two agriculturally rich provinces of Zambezia and Nampula, home to 40 per cent of Mozambicans, have been badly hit by the

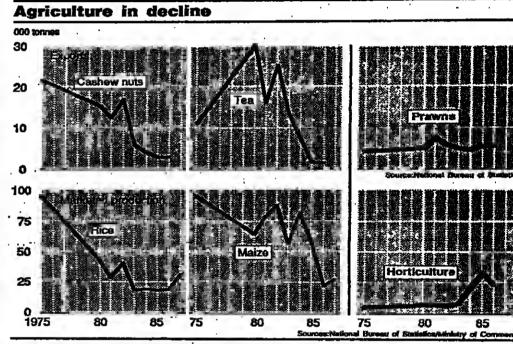
Natural disasters – droughts, floods, cyclones and insect pests – have simply compounded the misfortunes of the Mozambican peasantry. Out of a national population of some 15m, about im people have become refugees in neighbouring countries; a similar number have fled their homes in the countryside to cluster as miserable deslocades in safer zoues inside Mozambique and a further 2m peasants who stayed at home are unable to feed themselves, let alone sell their surplus to the cities.

Statistics tell the tale only too well. Between 1980 and 1986 total exports fell nearly 75 per cent. Cashew nut exports fell from 15,600 to 3,100 tonnes, sugar exports from 63,800 to 19,500, and tea exports from 30,000 to 1,500. Copra (from coconuts), cotton, citrus and other exports suffered similar fates. Significantly only the prawn business, operating safely offshore, was able to maintain performance and record a rise in exports from 5,000 tonnes to 5,400.

Food crops have also fared badly. The areas planted, the yields and the output figures have mostly fallen. Marketed. cereal production now accounts for only about 7 per cent of Mozambique's requirements, and foreign donors have been asked for nearly 1m tonnes of grain and other foods this year. In relation to the number of inhabitants, Mozambique's needs are much greater than

Vegetable production, on the other hand, has soared in the "green zones" around the cities, a development which reflects the relative security of such areas compared to the rest of the countryside. Agricultural extension officers and foreign aid workers have in many instances been driven back to the outskirts of provincial capitals.

"Development of the country cannot rely on vegetable production alone," laments a





foreign agricultural expert resident in Maputo. In the meantime, donor

operations can have undesirable side-effects. Their development projects become targets for rebel attacks, thus endangering the very people they are trying to help, while their aid shipments help to induce a sense of dependency. Already it is said that some wily peasants sell every grain of their maize on the commercial market in the knowledge that they can feed their fami-lies with free food aid.

ntial question about Mozambique's Ecouomic Recovery Programme, which in 18 months has already filled the city shops, is whether it can revive the rural areas, revitalise peasant agriculture and fulfil its target of increasing export crop volumes by 15 per cent a year until 1990. Like everything else in Mozambique, it depends on the war. All the talk of higher farm

prices, incentives for producers, liberalised marketing and rural credit schemes can only be seen as academic posturing in an embattled and hungry village inaccessible by road, short of seeds, and without consumer goods or a viable

money economy.

First reports from the gov ernment are mixed. State and private commercial farms, adversely affected by sabotage and insecurity, performed poorly last year, but the peasof food and cash crops by 27 per cant. In the more secure regions traders have taken up the challenge to inject some life into the economy, buying crops from villagers and selling them consumer products such as radio batteries.

Meanwhile, the state of the cashew industry — cashews are a smallholder crop and Mozambique's most important agricultural export — is giving the government particular cause for convers cause for concern. A report by the Food and Agriculture the Food and Agriculture Organisation last year said that cashew production, already down to a quarter of pre-independence levels, was threatened by neglect and a lack of replanting over the past 15 years.

The FAO suggested that \$35m was required over the next few years to restore the industry, which once made Mozambique the producer of nearly half the world's cashews. Now the Mozambican share has fallen to a tenth of world production and the industry is characterised by poor management and quality control. Many of the valuable cashew units are eaten as basic food for want of anything else.

At least cashews and other cash crops have scope for expansion in a country which so far uses only a small proportion of its available arable land. The relatively successful prawn industry appears to

have ucared the limits of

Toca/ **Factiv**

Desta onver

∂and

to attract foreign investors into commercial agricultural projects centred on protected trade corridors from the hinterland to the ports of Beira. Nacala and eventually Maputo.

Lonrho (through Lonneco, its joint venture with the Mozam-bique government) has made the largest investments, partly to protect its interests in neigh-bouring Malawi and Zim-babwe. Lomaco exports cotton, citrus and tomato paste, but says that 16 per cent of its costs go towards security, including a private army.

Other investors and aid organisatione are looking at tobacco, timber, sugar, citrus and other products, but even if the rebels allow them to succeed, it will be impossible to replace the 2.5m smallholder families as the engine of the Mozambican economy.

"Industries in some sectors cannot sell their products mainly because the rural mar-ket is very limited today as a result of the security situation," says Mr Antonio Branco. the Industry Minister. "The key thing is to increase exports, increase the revenue of transport services and to develop agriculture - otherwise the other sectors such as construction and industry will be completely constrained."

Victor Mallet

Trade corridors may play role in economic war against South Africa

que is both expensive and frustrating for Zimbabwe (its

railway workers and soldiers accuse their Mozambican coun-

terparts of incompetence)

and galling for the Mozam-bicans (who accuse the Zim-

Progress overall on repairing

Mozambique's transport infra-structure has been steady but

slow. Protected convoys ply the road between Malawi and Zimbabwe through Tete. The

road and rail links to South Africa and Swaziland are

attacks, and the railway from Tete to Beira has been closed by sabotage. The three main

routes - Beira, Limpopo and

habweans of arrogance).

vulnerable to guerrilla ambushes and massacres, the only safe way to travel around Mozambique these days is by sir. It is therefore all the more remarkable that Mozambique, despits the collapse of its becoming an increasingly important transit route for

Vy Augusta

Historically Mozambique's Indian Ocean ports were hesigned for just such a regional role, with Nacala in the north serving landlocked Malawi, Beira in the centre catering for landlocked Rhodesia (now Zimbabwe), and Maputo in the south taking traffic from Z1mbabwe, Swazland and the Transvaal Province in South Africa Port and railway charges in a significant source of

foreign exchange for Moramhique, but rebel attacks and South Africa's moves to divert trade away from Maputo to its own ports have drastically reduced the transit business. Official figures show that international rail traffic through Mozambique fell to 23m topnes in 1986, about one fifth of the level at 1ndapendence in 1975. International cargo handled at the ports fell from 13.8m

tonnes to 3.6m.
Mozambique is now trying to reverse the trend, in two completely different ways. On the one hand, it wants to increase South Africa's use of Maputo and has accepted South African technical assistance to rehabilitate the cranes and other equipment, On the other hand, Mozambi-

que has become the linchpin of efforts by South Africa's black neighbours to reduce their trade dependence on Pretoria.

Working through the ninemember Sonthern African Development Co-ordination Conference (SADCC) - a body set up in 1980 to reduce dependence on South Africa foreign donors have pledged hundreds of millions of dollars to restore the trade corridors through Mozamblone. Some donors see the projects as an alternative to economic senctions against South Africa;



The port of Maputo: a sharp decline in interr

others regard them as a way of reinforcing such sanctions, but all agree that Mozambique will

the corridor system can work effectively at a reasonable cost. In a successful corridor Mozambique would benefit from higher foreign exchange earnings, and from the creation of a relatively secure strip of land where normal life resumes and agricultural projects can proceed without danger. Eventually Mozambican officials would like to expand the safe zones on either side of the corridors:

On engar some or the corridors.

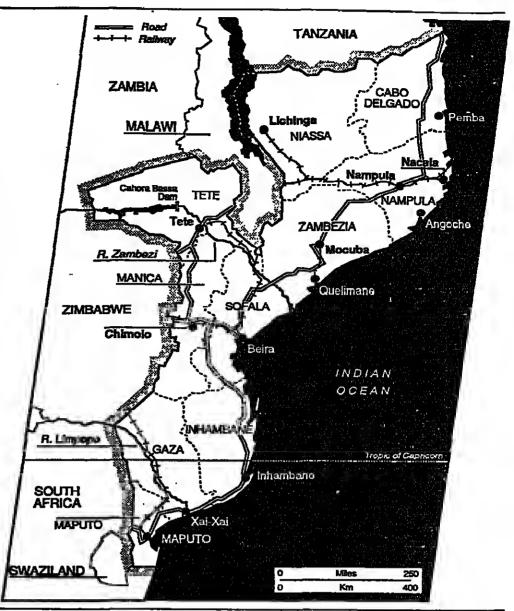
But in practice no corridor is completely safe. The short Beira route is the best and it takes 8,000 Zimbabwean troops. to keep it that way. Work by a French-Portuguese-Canadian consortium to repair the the line. The Limpopo corridor to Maputo from southern Zimbahwe, due to open shortly, needs a similar number of soldiers, as will the line of soon to be refurbished electricity pylons running from the Cahora Bassa dam to South

Mozambique's army of some 30,000 is neither big enough, good enough or rich enough to manage on its own, and the donors - led by Britain - are coming round to the idea that they need to supply military, assistance to protect their economic aid. Meanwhile Zimbabwe's involvement in Mozambiof repair.

Beira Corridor: The 314km route from eastern Zimbabwe to the sea includes a railway, a road, and an oil pipeline and has so far been the focus of SADCC's efforts in Mozambique A \$660m 10-year programme is under way to restore the corridor. Last year the port handled about 2m tonnes, compared with a record 4.8m in 1965 but up from 1.4m in 1986. Sabotage attacks on the

route are down by two-thirds so far this year, but some rehabilitation projects at the port are more than 12 months behind schedule or have been poorly executed, constant dredging of the channel is a necessity, and the town still suffers from power cuts, water shortages and a lack of amenities. Ambitious predictions made for the Beira corridor in 1987 have since been scaled down, although it already handles about a third of Zimbabwe's overseas trade. A quarter of Zambia's copper exports are also using Beira. Listopopo Corridor: Attention is beginning to shift towards this line running from Zimbabwe to Maputo, where there is plenty An inspection train covered

Britain has already funded £14m of repair work and a further \$200m is being sought, of which \$60m was raised at a donors' meeting last month. At present the line – mostly straight and level in contrast to the Behra railway – could probably handle about 1m tonnes a year, rising to 3m as work progresses and assuming adequate security. More than 500km of the line is inside Mozamhique and vulnerable to commando raids from nearby South Africa, but the terrain is relatively open and not favourable for guerrillas. Nacala Corridor: Nacala, recently rehabilitated, is the region's best deep-water port, but it is lying idle except for the movement of some food aid and other local traffic for Nampula. Despite the efforts of Malawian troops and Moznicken traffic by Mozambicans trained by a private British company, Defence Systems, rebel attacks have forced the suspension of the repair work on the railway and there is no through traffic. In the meantime Malawi is spending 40 per cent of its foreign exchange earnings on conducting its trade through distant South African ports.



Machaze: the everyday story of just another little town

Nacala railway was suspended when the participants said it was too dangerous and Where Surviving is the name of the game

ECONOMIC REFORM does not mean much in a place like Machaze, a small country town in the southern part of Manica

By Mozambican standards Machaze, recaptured from the rebels seven years ago, has been doing quite well this year after a period of drought, Although there is insufficient food in the area, no-one appears to be starving. A few villagers have been killed or had their ears chopped off by incidents date back several years ago. The inhabitants

could probably walk 50km from the town these days without being attacked. Here in Machaze there are signs of normal life which are completely absent from many other Mozambican settlements - a maize crop in the fields, wandering goats and chickens, a functioning water well, even a group of carpenters working in the shade of a tree.

But the idea that Machaze is in any way integrated into the rest of the Mozambican

economy is an illusion. Vehicles and agricultural marketing all belong to the

past. The inhabitants of Machaze are simply surviving, with a little help from the food airlifts of foreign donors. Access is by aeroplane only.
Throughout Mozambique roads
are mined and bridges
destroyed. Mr Virgilio Joao Nhansno, the district administrator, says there has been no traffic between Machaze and the provincial capital Chimolo since 1984. That was the year the orphanage was set up for the children whose parents were killed in the conflict - 18 of them have yet to find homes.

"Despite the good rains there really isn't food for all the people because there has been a problem of lack of seeds," says Mr Nhanguo. "Some have food, others don't."

According to Mr Fungai Simbi Chinhacata, the local medical officer, about 40 per cent of the children in Machaze are malnourished. "We have a very serious problem with children with amaemia," he says outside his rudimentary clinic, "We're not sure whether it's parasites or mainutrition. Two died this month."

Medicines, inevitably, are in short supply.
Mr Chinhacata's own story

typical. His monthly salary worth about \$25. When he worked in Zambezia Province he suffered four ambushes (driving in an ambulance was no guarantee of safety); his wife, a nurse, was injured in the arm by a bullet; he himself lost all his belongings, burnt to ashes in one of the attacks, and his brother-in-law was killed.

The Mozambican countryside is dotted with government-held islands like Machaze. A few are better;

some are much worse. In many of the town centres the once pretty Portuguese architecture is pockmarked with bullets or close to collapse from lack of

maintenance, Factories, clinics and schools have been destroyed by the rebels. Amenities such as electricity, transport and telephones have long since disappeared. To reunite Mozambique into a network of viable farming communities lot of determination.

Victor Mallet

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MAIN OFFICES IN MAPUTO AND NAMPULA

Tenacity in spite of adversity

Continued from Page 1

private enterprise and foreign investment and the need to reduce the role of the state, looking only momentarily non-plussed when asked how val-ues endorsed by Mrs Thatcher can be reconciled with Mozam-bique's official socialist ethos.

"The fact that growing financial imbalances require that we reduce or abolish some price controls or subsidies, or that the gigantism of some state farms or enterprises requires their rationalisation is in no way incompatible with our desire to build a society where all benefit equally," explains Dr Machungo.

Given the pedigree of the reform process and the careful consultations and explanations thet have marked each stage, there is no reason to believe that they are not deep-rooted

and here to stay (notwithstanding the fact that some party officials may yearn for the days of Marxist orthodoxy). The reforms, backed by aid

running at some \$800m annually, are bringing results, at least in the main towns where shops are better stocked (though at prices which are beyond most workers) and manufacturing and industry

are picking up.

But the critical test is in the ravaged countryside, where the recovery in food production and export crops such as cashew nuts, tea, cotton, and sugar is either tentative or yet to get under way, and where the road and railway routes are vulnerable to sabotage.

It is in the rural areas that the military and economic battles are being fought, and the government has yet to

emerge the winner.

PEOPLE'S REPUBLIC: THE KEY FACTS

PopulationPresident J	Ionavia Alberto Chisenno
independence daterrestoent o	June 25 1975
Ruling party	,the Freilmo Party
Surface area	,,,
Coastline	
Neighbouring countries To Zimbabwe,	, Swaziland, South Africa
Capital Maputo (formerly Loure	approx 1m
Provinces Niessa, Cabo Delgado,	Nampula, Zambezia Tete,
Manica, Sofala, G	aza, Inhambane, Maputo
Official language	Ponuguese

Exchange rate (August 2, 1988) _____\$1 = Meticals 584 Main imports ...Agricultural and industrial semi-finished and im products, spare parts, textiles, consumer goods ms, cashew nuts, cotton, tea, copra, citrus, textiles, tyres, coal, timber Exports (1987 est) GNP (per capita)...

Guide, 1986) Population growth rate . Population distribution . Literacy rate (1986) 2.6 per cent

Agreement with Portugal and South Africa on Cahora Bassa

Better prospects for dam

A GUERRILLA target when Mozambique was under in 1977, rebel sabotage of the Portuguese rule, its power pylons from 1982 onwards lines sabotaged in the 1980s by MNR rebels, the Cahora Bassa hydroelectric dam has so far proved a costly white elephant.

Efforts now under way to repair over 500 damaged pylons on the 850-mile route to an electricity station near Pretoria will test an apparent rapprochement between Mozambique and South Africa, the 2,075 MW project's main

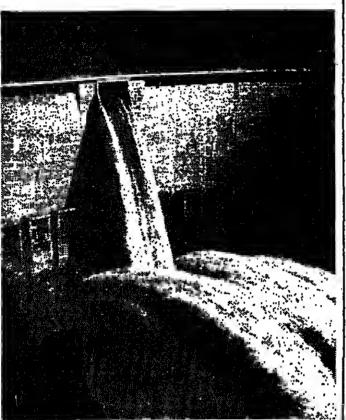
In June this year Portugal, South Africa and Mozambique signed an agreement designed to put the dam on an economic footing, provide for the power line's repair, and protect it from sabotage. Portugal, the owner of the scheme, has been carrying the \$56m annual losses of Hidroelectrica de Cahora Bassa, and servicing a \$1.2bn debt.

The improved financial prospects of the dam stem from South Africa's willingness to pay a higher tariff - 1.76 South African cents, compared with 1.1 cents under a 1984 agreement. The dam can provide 6 per cent of the republic's electricity needs. effectively put the project out

The agreemant also envisages a \$26m repair programme, jointly funded by South Africa and Mozambique. Negotiations are under way for Defence Systems, a British security firm, to help train Mozambican army units, who will be responsible for protecting the power pylons on the 500-mile path from tha dam, sited on the Zambezi River in Mozambiqne's northern pedicle.

Longer-term plans including drawing on Cahora Bassa power to help develop Mozambique's Niassa province and southern Malawi, as well as meet increasing demand in eastern Zimbabwe. There are also hopes that 145-mile-long lake could supply irrigation schemes in the surrounding countryside.

First, however, it has to be shown that the June agreemant can be made to



The Cahora Bassa dam in north-west Mozambique

I'd like to spend some time in Mazambique
The summy sky is aqua-blue
And all the couples dancing
cheek to cheek It's very nice to stay a week or And maybe fall in love just me

So sang a romantically. inclined Bob Dylan in 1975, the year of Mozambican indepen-dence from Portugal Much water has flowed under the country's broken bridges since then, and many of its inhabitants have been killed or mained in the civil war. But in the midst of disaster Mozambicans have somehow preserved a charm and warmth

rarely matched in Africa.

That is not to say that doing business in Mozambique is easy. State bureaucracy, buckeasy. State bureaucracy, buck-passing, in efficiency and shortages all contribute to the difficulties faced by the visitor. Yet for foreigners and Mozambicans with money, the seaside capital of Maputo has improved considerably over the past two years of economic

the past two years of economic reform. Restaurants and a small hand of taxis have reap peared, cafes now serve coffee and shops and markets have something to sell. Beira, the second city, is also struggling towards a revival, although it is still a target for rebel attacks and plagued by power cuts and water shortages.

Expatriates are largely iso-lated from the war, flying from

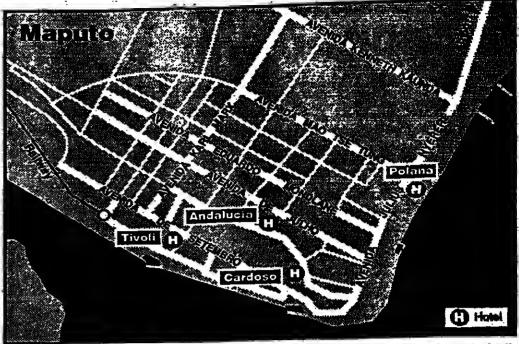
one secure town to another and so avoiding ambushes on and so avolating ambisines on the roads. They can buy a wealth of food and drink at the local loja franca, the foreign currency store, while a Mozambican farm labourer's monthly wage would barely buy him two large tubes of imported toothpaste. A few tips for visi-

Airport: Most visitors require visas, which should be obtained from a Mozambique embassy (there is a new one opening in London) or through your business contact in Maputo. Mr Americo Magaia, president of the Mozambique Chamber of Commerce (tel Maputo 741970, tx 6498) says his organisation can also provide help and advice. On arrival at the airport, you must change the equivalent of \$25 change the equivalent of \$25 into meticais, the local currency. On departure, sirport tax is \$10. There are regular flights to and from Lisbon, Paris, Johannesburg, Harare and other centres, as well as daily shittles to Swaziland and South Africa's eastern Transvaal. astern Transvaal.

Transport: Taxis are still few and far between, and you should arrange to be met at the

BUSINESSMAN'S GUIDE

Don't count on a taxi



airport. Cars can be hired in Maputo from Interfranca (tel 25199, tr 6403), which can have the car at the airport on your arrival. There are also plans to establish an Avis agency. LAM, the state airline, fries regularly to major provincial regularly to major provincial capitals, although flights are often full. Small aeroplanes are available for charter, and you can inquire at the TTA office in the airport. Regulations are being eased, but remember that you may need a permit from the authorities to travel out of the Maputo area.

Hotels: Polana/Polana Mar (tel 741001, tx 6278) offers old world charm and a magnificent site overlooking the Indian Ocean — ask for a sea-facing room. Other acceptable hotels are Andalucia (tel 23051, tx 6426), Cardoso (tel 741071, tx 6327), and Tivoli (tel 22005, tx 6327). In Beira on to the Dom 6297). In Beira, go to the Dom Carlos (tel 711158).

Health: Take malaria pills as advised by your doctor. The weather is particularly hot and sometimes wet between October and March. Bottled mineral water is available, and advisable outside Maputo.

Security: Crime is not a serious problem and streets are safe at night. But bear in mind that a hardened Mozambican may call a road safe if it has not been attacked for three weeks. Despite the war, the

Mozamhican security forces are remarkably relaxed, but you should still be cantious about taking photographs in sensitive areas. For instance, when you turn right from the Polana Hotel and walk along the Avenida Julius Nyerere, you must cross to the left hand side of the road opposite the presidential palace and keep between the trees and the kerb, or risk an argument with an angry soldier. There are no signs to warn you of this.

Doing business: Although

many Mozambicans in senior positions speak adequate English, it helps to speak Portugnese or to ba accompanied by someone who can act as an interpreter, Protocol tends to be strictly observed and it can be difficult observed and it can be difficult to get even a minor decision from a deputy if the person you want to see is away. Telephone calls within Maputo are relativaly easy, but outgoing international calls may take some time. It is quicker to dial direct into Mozambiqua from abroad. Telex is reliable. observed and it can be difficult

Leisure: Though its restaurants are generally mediocre, Mozambique is justly famous for its mawns. Seafood and a bottle of vinho verde are a safe bet. In Maputo the Andalucia and Cardoso hotels have good restaurants.

Facim showground complex), the Costa do Sol, the Mini-Golf (need to book at weekenda, tei 743387), and the Penha Palhota (all along the coast road). The Taverna del Rei near the Polana offers Portuguese fado

music, and there is Saturday jazz at the Topazio downtown. In Beira, try the Club Nautica (excellent crab) and the small restaurant near the airport hangars. For a pleasant weekend out of Maputo, you can charter a plane or go by boat to the hotel on Inhaca

island.
Some useful numbers: Diplomatic missions: UK (tel 32140, tx 6265), US (tel 743167, tx 6145), tx 6265), US (tel 743167, tx 6143), West Germany (tel 742996, tx 6489), France (tel 743444, tx 6307), Italy (tel 741605, tx 6442), Pornigal (tel 744162, tx 6341), UN (tel 744151, tx 6364), European Community (tel 744473, tx 6146), South African Trade Mission (tel 741404).

Ministries: Finance (tel 25071), Transport (tel 20121).

25071), Transport (tel 20121), Industry and Energy (tel Industry and Energy (tel. S1029), Minerals (tel. 29615), Commerce (tel. 26091), Construction and Water (tel. 26061), Agriculture (tel. 21071), Co-operation (tel. 742029), central bank (tel 28151).

Others: GPIE - Foreign Investment Promotion Office (tel 742713, tx 6153), DHL (tel 34101), LAM (tel 732141). Victor Mellet



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FINANCIAL TIMES COMPANIES & MARKETS

Monday August 15 1988



INSIDE Floating notes keep heads above water

is the floating rate note market about to sink without trace, as many Eurobond pundits suggest? Not at all, writes Dominique Jackson.
The new FRN market is certainly leaner, but
most veterans of the sector are convinced that it is now remarkably fitter. The dollar-denominated sector may face a supply crisis in the near future, but sterling issues are positively booming. Page 17

Diverging views on the worth of established brands

The debate over the value of established - stoked by this summer's fierce battle for the UK confectioner Rowntree — shows no sign of dying down. The willingness of the UK's Cadbury Schweppes to surrender its American s to Hershey of the US contrasts with Nestié'e determination to regain absolute control over the brands which its Carnation subeidiary, had leased or sold over the years.



Mention the Reliant Robin and the ally a loud guffaw. But odd as it may eem, this hizame British threewheeler - now renamed the Rialto - still

comes off the production line of a factory in Tamworth, Staffordshire, at the rate of 50 a week. The market, however, is declining and the manufacturer is having to look elsewhere for tomorrow's profits. Richard Tomkins looks at Reliant Molor, a small company which enjoys the distinction of being the only car maker quoted on Britain's unlisted securities

Market Statistics.....

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18 Mitsu. Petro

SAS dares, but it win?

r Horacio Domingorena, president of Aerolineas Argentinas, yesterday strongly condemned the Argentine government's agreement to sell 40 per cent of the state-owned carrier to Scandinavian Airlines System. The figures given for the system. The figures given for the deal were "fictitious and incorrect," Mr Domingorena said, and the arrangement "prostituted the principle of privatisation."

A Government appointee, Mr Domingorena claimed that the Scandinavian airline was paying only \$156m, not the \$204m announced last week, and that it would be putting up only \$20m of a \$60m down-payment in cash. The duty-free shop alone at Bue-nos Aires' international airport is

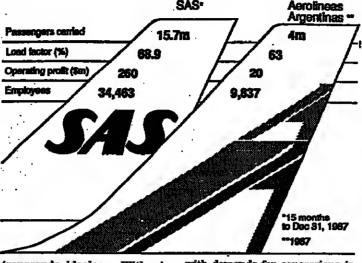
nos Aires' international airport is
"worth more than that," he said.
Mr Domingorena's intervention
underlines the grave doubts over
whether the SAS-Aerolineas deal
will actually get off the ground.
For SAS, there are disturbing
echoes of its unsuccessful effort
lest ways to have a minority effort last year to buy a minority stake in British Caledonian, the trou-bled UK airline.

Although Aerolineas operates in a peripheral market, SAS is attracted to the Argentine carrier for the same reason it was drawn to BCal: it will help the Scandina-vian airline to prosper in a world of "mega-carriers" despite its sparsely populated home base on the Arctic fringe of Europe. .

Mr Jan Carlzon, SAS president since 1981, is keen to put into practice this element of his blueprint for survival, minority holdings in partner airlines. He has been thwarted twice so far in Europe, but rivals are imitating his strategy as the pendulum swings away from state ownership of arrines. .

British Airways, which fre-quently cited UK national interest grounds in its fight to thwart SAS's courtship of BCal, has lined up as a suitor for a holding in Air New Zealand - the state carrier for which privatisation plans are due to be announced shortly. Swissair has bought a 4 per cent stake in neighbouring Austrian Airlines, and other candidates for full or partial privati-sation include Lan-Chile and Mexican Airlines.

The wide political span of governments now eager to introduce private money into state carriers demonstrates that the question



transcends ideology. With airlines facing the expensive task of replacing ageing fleets, govern-ments are loth to commit huge sums to enterprises which, in good years, make such slender returns. Stock markets do similar sums and put a lower valuation on airlines than do rival carriers looking for a strategic stake. The prestige of owning the flag carrier, it seems, is no longer

worth any price.

SAS's Argentine deal will be a critical test of this argument. Mr Domingorena's challenge to the sums may be the most telling.

First Boston, on behalf of Aeroliness reluced the siding at \$550-

neas, valued the airline at \$650m,

whereas Morgan Guaranty for SAS priced it at \$475m. World

Clay Harris and Gary Mead look at opposition to the sale of a minority stake in Argentina's

state airline

Bank officials came to a figure of \$525m, although the two sides. eventually agreed on \$510m. Mr Domingorena said yester-

day that the Argentine side should have been handled by the Argentine National Development Bank. Mr Rodolfo Terragno, Minister for Public Works who is responsible for the deal, said Mr Domingorena should resign if he is not happy..

Mr Terragno argues that since.
Mr Domingorena signed a letter
of intent at the beginning of the
year, he should accept the terms. Mr Domingorena says no figures were included in the original letter, although he certainly appeared in favour of the general outline when he said in February that the link "could bring the benefits of economies of scale and a more global service to both

Even before Mr Domingorena's intervention, the deal faced hitter criticism from the Peronist opposition - for which the carrier founded by General Juan Peron in 1950 is a proud national symbol — and from Aerolineas' domestic airline rival. The ruling Radical Party will be confronted

with demands for concessions in policy areas far removed from airlines if it hopes to win the ecessary approval in Congress. Political opposition is likely to

gather under the emotive banner of vende patria - selling the home-land - but just as serious is the feeling that the Government did not give Austral, Argentina's pri-vately-owned domestic carrier, a fair shake in negotiations.
Last month, Cielos del Sur, an

influential Argentine business with which Austral has close inks, submitted a letter of interest in purchasing a stake in Aerolineas. It obtained the support of Alitalia and Swissair, and a rival bid seemed imminent, for perhaps 55 per cent of Aerolineas. Mr Terragno gave the letter short shrift and continued with the SAS negotiations.

Even more irksome for Austral, which spent seven years in the state sector after a financial rescue in 1980, is the fact that Buenos Aires has shown no signs of deregulating fares or allowing it to compete with Aerolineas internationally.
For SAS, the Argentine deal follows two unsuccessful efforts

to forge alliances with European airlines. It has been in and out of merger talks with Belgium's Sabena for more than a year.

Last year, SAS tried to buy a stake in BCal when the finan-cially troubled UK airline was seized with second thoughts about the wisdom of a takeover by the much larger British Airways. BCal was troubled by the depressed post-October price BA was willing to pay. SAS successfully negotiated

the Civil Aviation Authority's regulatory obstacle course, but BA's increased £250m hid won the day. SAS turned its attention local carriers on other continents - the Scandinavian airline and its partners would share the long intercontinental routes between "hubs" from which each would operate co-ordinated "spokes" of regional service.

SAS already has such an agree-ment with Thai International and is looking for partners in North America. It has also held talks with Qantas about opening no routes in Australia where SAS does not have permission to fly. Additional reporting by Sara Webb in Stockholm

Strong D-mark or weak, the glass looks half empty

Haig Simonian sees a German tendency to look on the dark side

popular West German saying involves a partially filled tumbler and a judgment. The glass is either half full or half empty, say the Germans, depending on how you look at it. In the Federal Republic, it is usually thought to be half empty.

Tending to concentrate on the

Tending to concentrate on the darker side of things may be a popular cliche about the German character, but recent attitudes towards the economy and the value of the D-mark have pointed to a growing ambivalence within the Federal Government and the Bundesbank when it comes to economic value judgments.

Take the Government first. Earlier this month, Mr Martin Bangemann, the economics minister, who is soon off to greener pastures at the European Com-mission in Brussels, expressed great satisfaction at the rate of German growth. Higher than expected industrial production figures for June meant that West German gross national product was likely to grow between 2.5

per cent and 8 per cent this year. That is a far cry from the much lower predictions being handled about late last year, when some analysts were talking of growth that would be lucky to exceed 1 per cent. Even now there are some doubts about the longer-term outlook. According to the Organisation for Economic Co-operation and Development, growth is set to slow to 1.75 per cent next year. The Government has yet to publish its own forecast.

The recent npheat economic statistics have certainly come as welcome relief for a Government which has for months been battening down the batches against a constant barrage of foreign pressure to perk up its domestic economy. Germany's trade sur-plus remains too high, said its critics, usually in Washington, while the domestic economy was

barely chugging along.

The 2 per cent rise in the seasonally-adjusted figure for industrial production for June certainly provided handy ammunition for Bonn. But a string of recent companie that string of recent economic statis-tics have been going the Govern-ment's way, bolstered in the past month by some remarkably bullish half-year figures from some **o**f Germany's blue chip companies. Both Siemens and Hoechst reported much higher than expected earnings, while results from the country's banks have shown a surprising expansion in domestic lending. Demand for medium-and-longer term credit from both private and husiness customers has perked up sharply, as investment decisions, previ-ously postponed, are being put into action. Corporate Germany appears to be changing gear. Hence the appreciably smugger looks in Bonn in response to foreign critics, whose focus, it must be admitted, has now shifted more to 1989 than this year. From Bonn's point of view, the tumbler showing Germany's economic performance is at least half full, if not brimming Last Thursday Mr Gerhard

Stoltenherg, the embattled finance minister, who is now almost audibly sighing with relief after a very trying period politically, further rallied to the defence. Better than expected economic growth means the Government is now expecting its tax income to be DM2.5bn (\$1.3bn) to DM4hn above plan, he said with

Foreigners hoping for the over-shoot to be ploughed back into stimulating the domestic econ-



ou dollar produced swift reaction

omy were in for a disappointment, however. The higher revenues were gratifying, hut not euough for the Government to reconsider its range of consumer tax increases next year, said Mr Stoltenberg. The money would be used to cut next year's budget deficit instead. Yet despite the new-found con-

fidence in Bonn, there is a joker in the pack. For when it comes to the value of the D-mark against the dollar, the old German habit of seeing the more pessimistic side of things rings as true as ever. Moreover, it applies as strongly to the Bundesbank as to the Federal Government. Throughout the closing months

of last year, one phrase - die Schmerzgrenze - hogged all for German companies - where the rising D-mark starts to bite into export profitability and gradually spill over into the domestic economy - was becoming more acute daily, we were told. Confi-dence reached rock bottom when the dollar briefly plunged to DM1.58 at the end of 1987.

That seems like history now, with the dollar testing — and hriefly breaching — DM1.92 last week. For suddenly, it is not the weak dollar, but the strong one, which has become a problem for

Few have expressed that attitude better than the Bundesbank, whose step-by-step rises in key interest rates reflect a growing concern with inflation. Prices may only be rising by about 1 per cent at present, but that is quite enough to spark the concern of the guardians of the country's monetary stability. Inflationary expectations are heading up, they say, and must be nipped in the bud. Thus the D-mark must not be allowed to fall any further against the dollar. against the dollar.

The whole debate in the central bank about the value of the currency strikes an odd chord with last year's discussion about the German equity market and, particularly, how to make shares more attractive to German privete investors.

In the months leading up to October's crash, a variety of German pundits, not least Mr Karl Otto Pöhl, the Bundesbank president dent, were exhorting wealthy Germans to invest in shares to enliven the stock market and further the development of Fin-anzplatz Deutschland – Germany as a financial centre.

But in a speech shortly after
the crash, Mr Pöhl was suddenly

drawing comfort among his andi-ence from the fact that so few German families owned equities in contrast to the US and UK. And German shareholders tended to be among the wealthier strata of society, which could best weather the storm. So anxiety about a swift economic downturn after the crash was misplaced, he

Now it is the value of the D-mark which is undergoing the same intellectual mangling from West Germany's leaders. The cur-reucy is now too weak, we are told. Mr Stoltenberg's remarks on Thursday that a dollar above DMI.90 could cause "problems" produced a speedy reaction in the markets. The dollar sank from DMI.92 to DMI.89 with an alacity which even the Japanese, would admire would admire.

What Mr Stoltenberg, and others concerned about inflation, have not dwelt on is that it is precisely the weaker D-mark - along, of course, with traditional s uke good products and record for reliability and service - which has been beloing German companies to report such good results.

The Government may be more relaxed about the outlook for the economy, but when it comes to the value of the D-mark, it seems no one is ever satisfied. A strong D-mark is a bad thing; but then so is a weak one. Perhaps there is no level for the West German currency which can be deemed acceptable. But then again, this is Germany, and that tumbler always tends to be half empty.

UK GILTS

Assessing summer's handiwork

THE gilt-edged securities market had more to absorb last week than for a very long time. Buffeted between international and domestic events, the market came through it all surprisingly strongly.

The important thing it now has to consider is the likely course of short-term interest

rates in the UK.

Some hints are given in the Bank of England's Quarterly For the time being, the cur-rent level of rates seems likely

to prevail. For the Bank, the setting of interest rates is a question of balancing what has sees happening on the inflation front in the medium-term. It follows then that any unexpected trend deterioration

from that path will be met by higher interest rates. Its focus predominately, but not wholly, domestic.

The Bank is now in the position of waiting for the economy

to show signs of slowing. It will probably take between two to three months for the official statistics begin to show what effect, if any, of the summer's tightening in interest

The Bank will therefore be relying more on indications of sentiment, such as Confederation of British Industry surveys and its own soundings of industry throughout the country for a guide to the effects of summer handiwork.

It admits that this is less than optimal and that a degree of uncertainty clouds the outlook, but it believes rates are in the ballpark and hopes that enough has been done.

not be ruled out. This is also true for external per cent a year.

indifferent to a worldwide tightening in monetary policy if it leads to sterling weakness. Given the reaction of the dol-lar last week to the Fed's deciare last week to the reas energion to increase the discount rate to 6% per cent and a further tightening in Fed funds, the Bank seems to have no short-term problem with sterling.

The big test may come if this

week's US trade figures are seen as good for the dollar There are also signs that the Bundesbank might again be moving to tighten, this could happen as early as this week or around August 25 when the

bank's board meets.

The Bank dropped an exchange rate clue in the Bulletin by its reference to the value of sterling as measured by the trade-weighted index. Unlike the May Bulletin, which specifically mentioned the D-mark, the Bank this time highlighted only the index.

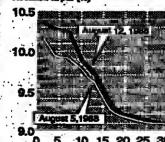
While it is unlikely that 76.5 on the index is a target for the exchange rate, clearly move-ments measurable in full percentage points either side of that may well point to a policy

Perhaps the most interesting thing to come out of the Bulletin was the Bank's comment on the need for the growth in domestic demand to be below Britain's potential rate of

An economy's potential growth rate is the sum of the growth in productivity and the growth in the labour force. Throughout the 1980s productivity for the whole economy is estimated by the Treasury to have been 2 per cent a

On domestic grounds, there year.

fore, higher interest rates can— At the same time the workforce has grown by about % a This suggests that Britain's UK Qilts yields



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potential growth rate is around 2½ per cent a year, an estimate not far off the International Monetary Fund's one of 2.3 per cent for the UK.

Looking into the future a lit-tle. Department of Employ-ment projections for the growth in the workforce suggest it will slow by the end of this decade to around % per cent a year so, assuming con-stant productivity for the whole economy, Britain's pro-ductive potential should be around 2% per cent a year in

the early 1990s. The Bank believes the UK's potential growth rate to be around 3 per cent for the whole

That is a huge difference from the current estimated potential growth rate and from the projected one.

As the growth in the workforce slows from 1989 the only way for the Bank to arrive at the 3 per cent figure is for it to assume a much higher rate growth in productivity, espe-cially services, than the UK has thus far enjoyed over the course this decade. Has the boom in investment done that

THIS WEEK US TRADE figures published

tomorrow are set to be the focus of attention in world financial markets this week and could determine the short-term course of the dollar. The size of the deficit may encourage speculation about possible US interest rate moves

and should provide an indicator of the strength of demand within the economy. The MMS International consensus of forecasts is for consensus of mrecasts is for a deficit of \$11bn in June, seasonally adjusted, against \$10.9bn in May. A larger deficit may undermine the recent

strength of the dollar but it could return to an upward path if the US Federal Reserve eeks further rises in interest Financial markets will also

take note of US industrial production figures for July, due today. The MMS consensu suggests a rise of 0.5 per cent - more than in June and highlighting the strength of the economy.
The Republican National

Convention, which starts today, may provide some pointers for future US economic policy in the event of a Republican victory. In the UK a series of statistics published this week will be analysed for signs of a possible upswing in inflation and indications as to whether

the Government will decide a further increase in interest rates is needed. The Retail Price Index for July is published on Friday. The MMS consensus points to a rise of 0.1 per cent taking the annual rate to 4.8 per cent. That compares with 4.6 per

cent in June.

The figures will be proceeded by provisional money supply figures for July, released on Thursday. A large rise in bank and building society lending is expected, parily due to the rush for mortgages ahead of tax changes. The MMS consensus points to a £8bn (\$13.5bn) rise compared with

statistics for the underlying growth rate for average earnings in June, released on Thursday by the Department of Employment, are thought likely to rise to 8.75 per cent

In Japan, money supply and holesale price index figures for July will be published on Tuesday. The money supply igures (M2 plus Certificates of Deposits) are expect to show double digit growth continuing, but analysts will be paying more attention to the wholesale price index.

If the index movement continues to be downward. as expected, then markets will remain calm. However, a move upwards might worry investors that the Bank of Japan will consider raising its official

discount rate. In France, the consumer price inflation figures are expected to be published sometime this week. French money markets were stretched last week as banks sought to meet their obligatory reserve requirements. Bankers do not expect short-term interest rates to rise this week when the Bank of France holds a money market tender tomorrow.

Other figures due for release this week (with the MMS consensus in brackets) include: Today UK industrial output for June (+0.2 per cent) and retail sales for July (+0.5 per

Tuesday UK Public Sector **Borrowing Requirement** (-£300m). US capacity utilisation in industry in July (83.4 per cent) Wednesday. US honsing starts and building permits

in July. Thursday Provisional estimates of UK money supply in July. UK unemployment in July (fall of 35,000, seasonally-adjusted), UK manufacturers and distributors stocks and capital expenditure by manufacturing and service industries in three months to

Friday US federal budget figures for July (\$22bp deficit).

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INTERNATIONAL CAPITAL MARKETS

US MONEY AND CREDIT

Wall Street braces itself for more interest rate rises

BELIEVING last week'e dramatic discount rate increase will prove inadequate for the task of cooling down the US economy, Wall Street is bracing itself for further

bracing itself for further increases in interest rates as the Federal Reserve tries to get a grip on inflation.

The Fed'e policy-making open market committee could decide at its meeting tomorrow that additional tightening of monetary policy was justified immediately by more signs of inflationary pressures in the economy.

inflationary pressures in the economy.

Next to nobody, though, expects the Fed to use the sledgehammer tactic of raising its discount rate again soon. Last Tuesday's increase by half a percentage point to 6.50 per cent, the first in nearly a year, sufficiently impressed on Wall Street the Fed's resolve to fight inflation.

inflation.

A wholly unexpected move, it was, however, no match for the problem. Salomon Brothers' fixed income economists said at the weekend: mists said at the weekend:
"Evidence of substantial thirdquarter economic momentum
— generated by hefty job and
income growth and relatively
lean inventories — along with
increasingly tangible pricing
pressures suggest that further
tightening is inevitable."

The central hank will use
incread the more subtle factic

instead the more subtle tactic of raising the Fed funds rate at which banks lend reserves to each other.

Many economists believe the

year from just over 8 per cent on Friday and around 7.75 per cent before the discount rate increase. Other rates will follow suit

Fed will push it up to 9 per cent or more by the end of the

Paul Volcker: prepared markets for change

with for example, the yield on 30-year Treasury bonds rising to a peak of around 10 per cent

or 10.25 per cent.
This would virtually match the spike which helped trigger last decider's stock market crash. Thankfully, though, many other economic and psy-chological factors are different this time so a shocking replay

this time so a shocking replay is unlikely.

The painful adjustment to higher rates began with a joit last week when long bond prices dropped three points, their largest fall in a week so, far this year, as yields rose some 30 basis points to 9.42 per cent.

Further price falls are likely this week as more data on the robust economy are released by the Government. Most crucially, today's fig-ures for industrial production and tomorrow's for capacity

utilisation will show sharp The latter figure is likely to make the market jittery because it is rapidly approaching 85 per cent, widely considered an "inflation flash point," according to Mr Philip Braverman, chief economist of Irving

men, chief economist of Irving Securities.

These figures and others forcefully demonstrate the scale of the policy problem confronting the Fed. Mr Alan Greenspan, the Fed chairman, recently told Congress that the US economy could grow by around 2 per cent or 25 per around 2 per cent or 25 per cent this year without stimu-

Yet data pouring in is showing an economy trundling along at an annual rate of along at an annual rate of between 3.5 per cent and 4 per cent in the third quarter. In retrospect, the Fed has appeared complacent in recent months, believing there was evidence that the economy was about to alow down on its own

Wall Street markets, perhaps iulled by the Fed's reassuring words, drifted desultorily words, drifted desultarily.

In the last 10 days or so, though, Fed governors and presidents of its reserve banks were suddenly shocked by contrary indications. On a formal level was the creation of \$15,000 jobs in June and July. Less formal was a barrage of anecdotal evidence from around the country of imminent labour shortages.

Peoria, Illinois, for example has swung in just three years from high unemployment to a



Alan Greenspan: every country for itself

iabour searcity thanks to the textbook turnround of Caterpillar Tractor, its largest employer.

Now disturbed by the economy'e etrength, the Fed bumped up the discount rate on Tuesday. Wall Street warmly applauded it as necessary medicine and a sign that the Fed was exerting its independence over politicians in an election year.

Given that the inflationary pressures are not great, a further steady rise in interest rates should begin to cool off the economy by the turn of the year.

year.
With luck and good judgment, the Fed might avoid a recession and achieve instead a



months years

"soft landing" at an non-infla predecessor, Mr Paul Volcker,

"soft landing" at an non-inflationary growth rate, believes Mr David Jones, chief economist of Anbrey Lanston, primary bond dealers.

Criticism of the Fed began to surface in some quarters by the end of the week, though after Wall Street had had a chance to reflect on recent history. Three main gripes were the Fed's earlier softly-softly policy approach, its timing and its failure to sighal its infantions to the markets.

Why had not the Fed acted two business days earlier when July's shocking employment data were released rather than hours before the Treasury began its quarterly refunding suctions?

Many market players are now nervous about being wrong-footed again to their loss by a sudden Fed policy move. They remember wistfully the care Mr Greenspan's

for them as well.

It remains to be seen whether this will usher in a period of friction between members of the Group of Seven only monthe after they expressed at the Toronto summit high satisfaction with their co-operation.

But perhaps the countries now have more scope to focus in a more independent fashign on their domestic concerns, Mr. Jones said. "Increasingly it looks like every country for

looks like every country for Such an attitude would suit the Greenspan Fed which "is considerably more domestically oriented than the Volcker Fed." Mr Jones added.

Mr Greenspan is philosophically more attuned to "keeping his ducks in a row at home and then letting market forces determine the dollar."

Roderick Oram

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or write to him at:

Bracken House

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of Funds Greekly 2002(9)	7.95	7.78 6.92 7.25 8.16 7.85	7.69 7.72 7.86	7.95 7.24 8.04 8.58	5.98
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All of these securities having been sold, this announcement appears as a matter of record only

5,128,206 Shares



Common Stock

Donaldson, Lufkin & Jenrette

Drexel Burnham Lambert

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Series 064

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16th August, 1988 to 16th November, 1988
the Notes will carry an interest rate of 8¹³/s per cent
per annum and interest payable on the relevant
interest payment date 16th November, 1988 will be
U\$\$225.21 per U\$\$10,000 note.

London – Agent Benk

INTERNATIONAL CAPITAL MARKETS

EUROCREDITS

Behind the scenes business in summer

Boeing 747 freighters, by Los Angeles-based Flying Tigers.

In the UK, Davy Corporation

igned a £60m multiple option

facility, of which £40m is committed, jointly arranged by

Barclays de Zoete Wedd and National Westminster Bank

BZW was separately said to have been awarded a mandate

for a £200m, five-year financ-ing, £100m of which is to be committed, for S&W Berislord,

the commodities and financial

SG Warburg arranged a

oan, £4.1m a deferred consider

ation guarantee and 25.5m a revolving credit. It carries a

1% per cent margin, falling to 1 per cent depending on gear-ing, with a commitment fee of

½ per cent. Its rentals subsidiary, United Bentals, is borrow-

ing a £20m revolving credit,

with repayments beginning in year two, and carrying a 1% margin with a commitment fee

Proving deals associated

with UK mortgage companies do not always go bedly, Midland Mortaga's syndication of a £100m facility for Mortgage Funding Corp is already up to £150m in general syndication and will be increased. Montagy's deal for FMS Number 2

tagu's deal for FMS Number 2.

was raised to £107.5m from A loan arranged by Manufac

turers Hanover for Central-Eu-

ropean International Bank, a dollar-based offshore bank

established in Budapest and owned by the National Bank of

Hungary and a group of inter-national banks, was raised to \$50m from \$40m.

In the commercial paper markets, Merrill Lynch Inter-national arranged a \$500m Eurocommercial paper pro-gramme for Gaz de France, the latest state-owned issuer to

enter the market. Issuance is expected to start in September 88 and Citicorp Investment Bank is the other dealer. Merrill Lynch also arranged a \$100m ECP programme for Enserch, the energy, engineering and construction company.

Stephen Fidler

of % per cent.

services group:

THE USUAL summer torpor descended on much of the international loans market last week, with proof of the mar-ket's calm evidenced by the unusual occurrence of Japanese bankers preparing for

Nevertheless, there is an unusual amount of corporate business going on behind the scenes in banks in London and there was activity also in Asia.

As the Industrial Finance Corporation of India com-pleted one deal last week, signing a \$100m loan with a group of banks led by Swiss Bank Corporation Investment banking, state-owned Air India invited bids to arrange a \$275m loan to buy two 747-300 cargo

The airline would apparently allow hanks to arrange leasing of at least one aircraft. Bids must be submitted by August

The IFCI financing was split into two equal parts, the first with a final maturity of 10 years and a grace period of four years, and the second with a seven-year maturity with a three-year grace period. It carries an interest margin of 18% bank offered rates for the first two years and 25 basis points over Libor for the remainder...

Still in Asia, Malaysia was said to be seeking bids from banks for a \$300m, 10-year

Roderick 0

Bank of America has been awarded a mandate for a Y12.5bn. five-year Euroven financing, to be secured on four

	EUROM	
•	TURNOVE	R (\$m)

Primary	Market,			
USS Prev	Straights 1,517.6 897.7 718.5	143.7 362.3 193.4	0.0 482.0 144.7	8,834. 9,027
Other Prev	1,069.1	1,267.8	284.0	1,047.
USS . Prev	12,747.6 18,634.5	13117	7.731.7 5.105.4	6,206.5 5,624.2
Other	14,012.0 14,445,9	1,918,3	25121 4,101.7	17,718.0 15,956.3
USS Prev	9.0	D57.B 29	roclear •	Yotal 38,493.4
Other Prev	17.	440.5 19	579.1 915.5 ,855.0	41,500.4 37,356.6 40,098.

Week to Avoest 11, 1988

INTERNATIONAL BONDS

Floating rate note market keep its head above water

accelerating inflation and rising interest rates settle over international fixed-incoma markets, suggestions surface that the floating rate note market, once the most buoyant sector of Eurobonds, is about to sink without trace.

However, the suggestions do not bear close examination the new FRN market is certainly leaner but most sector veterans are convinced that it is now markedly fitter. Although the US dollar-denom-inated chunk of the market appears on course to hit somewhat of a supply crisis in the not too distant future, the market in sterling FRNs, once dis-247.6m facility to finance the management buyont of York Trailers. The borrowing vehicle is Ingleby (292) which is borrowing £27.6m over seven years, £18m of which is a term years, £18m of which is a term years, £18m of which is a term years.

missed as a cottage industry among conglomerates, is posi-tively booming.

Cries of despair over dollar FRN supply reached a high pitch recently with the news that the UK was exercising the that the UK was exercising the first available call option on its \$2.5bn floater issued in 1985 and due in 1992. Although the move had been well antici-pated, the issue was a popular and fairly liquid one and its redemption is expected to leave a discernible gap in the sovereign borrower sector of the market. The announcement prompted a swift switch to several other sovereign issues with the benchmark \$4bn UK FRN due 1996 - known as the "new" issue among a handful which firmed markedly.

Dealers were soon poring over their books to check the

DEBT OUTSTANDING IN INTERNATIONAL BOND MARKET (\$bn) Q1 02 Q3 1988 Q1 34.6 9.2 11.8 13.6 Total gross new leaner 51.9 42.8 47.9 35.8 36.3 13.1 7.9 21.8 minus scheduled repays 23.1 36.4 minus early repayments - Total net new issues 9.3 effects

Total change in stocks
of which: floating rate notes 104.1 Total gross pew leaves minus early repayments

Total net new issues
plus/minus valuation effects

Total change in stocks

first available call dates on similar issues. Most sovereign borrowers who chose to call an FRN would currently be able to refinance at much more attractive rates by issuing fixed-rate paper and subs quently swapping the proceeds into floating rate funds. Over the last few years, the growing sophistication of swaps and other behind the scenes financial engineering has meant that the floating rate note mar-ket is no longer the most efficient place to raise funds.

Sovereign borrowers with dollar FRNs which could be redeemed early in the next 12 months include Sweden, Italy, New Zealand, Ireland and Bel

With no prospective new issues in sight, this drying up ute to a further tightening of spreads. Spreads have nar-

rowed markedly in the last few

weeks as investors concerned about spiralling rates on the fixed-rate side of the market switched back into floaters. many for the first time since the market experienced a breakdown of liquidity and trading practices in the spring of last year.

Dealers reported brisk demand for outstanding sovereign issues, with the "new" UK FRN currently trading at around 40 basis points below the London interbank offered

According to sector special-ists, the FRN market to which investors are returning differs substantially from the overcrowded and over-traded sector from which they fied. For one thing, the market has shrunk largely through a "survival of the fittest" procedure, to a far more rational and civilised size. Around 50 or 60 issues are now genuinely liquid compared

with a number in excess of 200

when the market was at its peak in 1985 and 1986. The number of market makers has also fallen by around half.

Turnover is down but is now

more balanced with more gen-uine retail participation seen. The character of the business has also changed with many houses working hard on arranging deals in some of the less actively traded areas such as the second-line sovereign issuers, snbordinated bank paper or perpetual issues. Although this can take time and does not generate immediate or substantial gains, it does contribute steady profit at a time when houses are becoming increasingly conscions of

In sharp contrast to this subdued and sedate modus operandi, the sterling-denominated FRN market seems to be undergoing a phase of dynamic and seemingly unstoppable

est period for some time last week as foreign investors piled into sterling floaters to take advantage of the relatively

Interest was detected from the Far East and the US while dealers also noted several German institutions selling D-Mark positions and switching into sterling FRNs, regardless of the coupon levels, largely to make currency gains. Building society paper was also in great demand, largely from UK investors as these borrowers have yet to make a substantial impression on foreign investors.

The sector has benefited more than most from investor anxiety over rising interest rates as the majority of sterling FRNs have their coupons refixed quarterly and not semi-annually as do tha US dol-

An important new chunk of the sterling FRN market is the mortgage-backed sector which is gaining ground with each new issue. Dealers said the investor

base was expanding all the time as institutions and corporate treasurers become more comfortable with the concept. The extent of this acceptance was neatly illustrated last month when the Bank of England gave the TSB group the go-ahead to move part of its mortgage portfolio off balance sheet by using this technique, making TSB the first recognised UK clearer to do so. Variable rate notes have also been hailed by some market operators as another up and coming area but most dealers are reserving their judgment on the new instruments.

By allowing the coupon to be renegotiated from one coupon period to the next, theoretically giving a more accurate reflection of market conditions and of the borrower's credit the new notes are said to offer the investor a greater degree of protection. However, this has yet to be tested as has the question of satisfactory liquidity in the market which has so far been dominated by Merrill Lynch and Warburgs.

Many dealers are still can-tiously optimistic that the tra-ditional sida of the market will once again come to the fore but that will depend on a crisis in the market for interest rate and currency swaps which is still looking fairly robust despite initial fears that new capital adequacy guidelines would stunt its growth.

Ona senior trader said:
There is going to come a point
although I am not sure
when that will be — when raising billions of dollars of funds several sovereign borrow ers is just not going to be feasible via the swap market. Then they will be forced to come back to the floating rate note market where all the necessary machinery is already in place.

Dominique Jackson

NEW INTERNATIONAL BOND ISSUES

Borrowers US DOLLARS	Amount m.	Meturity	Av. Ilfe years	Caupan %	Price	Book runner	Offer yield	Borrowers Westpac Banking Corp	Amount m. 60	Maturity 1991	Av. life years 3	Coupon %	Price 101 ¹ 2	Book runner Westpac Banking Corp	Offer yield
Mitsul Tostsu Chemicaléé	200	1992	4	412	100	Nomura Int.	4.500	D-MARKS							
Nippon Fire&Marine ine+ Nichirei Corp.+ Nichirei Corp.+ Kawasaki Steel Int.Fin.+ Electricita De France+	100 100 200 50 200	1992 1993 1992 2003 1993 1995	5 4 15 5 7	4 ¹ 2 5 ¹ 4 4 ¹ 2 5 ¹ 4 9 ¹ 2	100 100 100 101 ¹ 2 1015 ₈	Yamaichi Int.(Eur) Yamaichi Int.(Eur) Morgan Stanley Credit Lyonnais J.P.Morgan Seos.	5.250 4.500 5.375 9.361 9.175	West LB Int. Lux McDonalds Corp European Coal&Steel Com. SWISS FRANCS	100 50 54	1993 1993 1993	5 5 5	5¾ 5¼ 5½	100 ¹ 2 100 100	West LB Girozentrale Bayarische Vereinsbik Bayarische Vereinsbik	5.633 5.250 6.500
Kellogg Co.◆	100	1991	3	918	101.07	Goldman Sachs	8.703	Tachibana Shokal\$◆	20	1993 1993	-	12	100	Handelsbk Natwest	0.500
CANADIAN DOLLARS Kredietbenk Int.Fin. Ford Motor Credit GECC OtympinalYork 1st Can.sl Berliner Bank AG	75 100 176 150 50	1901 1990 1993 1993 1993	3 2 5 5	10 ¹ 4 10 ¹ 8 10 ¹ 4 11 10 ¹ 4	101 ¹ 2 101 ³ 2 101 ³ 4 101 ⁵ 2	UBS Secs. UBS Secs. Chase investment Bk Merrill Lynch Berliner Bank Lux.	9.799 9.552 9.888 10.865 9.823	Holasetsu Ind.Co.**§ CIBC Ringer Hut Co.**§ Yushiro Chemical Ind.**§ Tokyo Tatemono Co.**§ YEN	30 100 35 40 120	1993 1998 1993 1993 1993	:	51g (12) (12)	100 1 ₂ (100) 100 100	B.della Sviz.Ital. Credit Suisse SBC UBS UBS	0,250 5,060
AUSTRALIAN DOLLARS								Mitsubishi Corp.(c)◆	10bn	1992	4	7	101%	Yamaichl Int.	6.525
Toyota Motor Credit Corp.	75 45	1991 1993	. 3	13 (a)	101 5g 96,90	Hambros Bank NKK Europe	12.320	LUXEMBOURG FRANCS							
Miliburi Fin. Australia† National Australia Bank SAS¢	50 50 50	1991 1991 1990	3 2	(a) (b) 13 ¹ / ₂ 13 ¹ / ₄	100.10 1011 ₂ 1011 ₂	Mitaul Fin. Int. County Natwest Dreadner Bank	12.886 12.358	Kemira Dy*** Kredietik Int. Fin,NV*** GMAC Cont.Detroit***	300 300 300	1993 1993 1991	5 5 3	71 ₂ 71 ₂ 71 ₄	100 100 ¹ 2 100 ¹ 4	Credit Europeen Lux. Kredielbank SA Lux BGL	7.500 7.377, 7.155
NEW ZEALAND DOLLARS								"Not yet priced. (Floating rate note.	AWITH negult	y warrants, \$	Convertible.	OFIce! brose.	**Pyfwasa	placement, (a)Coupon at 15.5%	below twice the
C'wealth Bk of Australia	60	1991 1991	. 3	. 14	101%	Hambros Bank Societe Generale	13.203 13.256	three month bank bill rate, (b)Coup peid at a level squart to the 3 month per VIIII william hand, block white	bank bill re	rst & months te less 15 ber	ois paints pai	waterilize ben	k bill rate	less 25 basis points. Thereuse	and this teament will be



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INTERNATIONAL FINANCE CORPORATION

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August, 1988

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INTERNATIONAL CAPITAL MARKETS

European

Vinyls buys

three PVC

businesses

By Our Financial Staff

EUROPEAN VINYLS, a joint

venture between ENI, the Ital-

ian state energy group, and Imperial Chemical Industries

of the UK, is to buy three European PVC businesses for an undisclosed sum, ENI said.

The two parent companies have authorised European Vinyls to buy Interplastic Wels of Austria. Sweden's Davinyl and the PVC business of Weston Hyde Products of

Lac seeks retrial in Hemlo gold mine row

By Our Montreal Correspondent

A SEVEN-YEAR legal battle over ownership of the rich Page Williams gold mine in the Hemlo district of Northern Ontario has taken a new twist. Lac Minerals, one of the two Canadian mining groups con-testing ownership, has applied for a new trial, saying it has

new evidence.

The Page Williams mine was awarded to Corona Corporation in March 1986 by the Ontario Supreme Court. How-ever, the Supreme Court of Canada is scheduled to hear an appeal on October 11.

Lac says important new evidence has come to light and justifies it seeking a new trial. It has asked the Ontario Supreme Court to set aside the 1988 decision. The Page Williams mine is

expected to produce 450,000 oz of gold next year and is among the richest in North America. Lac's motion for a new trial is due to be heard in Ontario Supreme Court on October 27, but the company is trying to get the hearing advanced before the Supreme Court of

Canada opens its hearing. Prospectors Mr Donald McKinnon and Mr John Larche are credited with finding the now famous Hemlo gold camp late in 1979. Lac claims its new evidence may be inconsistent with testimony given at the original trial in 1986 hy Mr

McKinnon.

Corona described the Lac
move as a "desperate, last-minute attempt to delay the work-

ings of the legal system."
Speculation in the mining industry had suggested the two companies might come to an out of court agreement.

Mortgage Funding

THE AAA rating assigned by Moody's Investors Service to a new issue of mortgage-backed notes for Mortgage Funding Corporation, reported in the FT on Friday, is a prospective rating. This is a preliminary opinion, the final rating depending on how the issuer responds to any suggestions the agency may make.

Parmalat faces shake-up after Kraft negotiations

By John Wyles in Rome

MR CALISTO TANZI'S Parmalat food empire looks set for an important restructuring next month after long and difficult negotiations with Kraft, the US foods manufacturer. The precise outcome of these

is still unknown, although it has emerged during the last fortnight that Kraft has been forced to modify its original objective of a full takeover of Parmalat in favour of a more limited purchase of some of its subsidiaries.

Mr Tanzi, who has built up his L1,000hn (\$717m) a year business over the past 30 years, appears to have come under a variety of pressures, both political and industrial, to limit the extent to which another non-Italian manufacturer is allowed to establish an impor-tant bridgehead in the domestic food industry.
The issue of foreign penetration is becoming especially sensitive in the wake of the Nestlé purchase of Buitoni from Mr Carlo De Benedetti. So much so that it is beginning to influence the political discussion over the future of the state-owned SME food group. whose takeover by Mr De Benedetti was blocked three

years ago.
The parties in the governing coalition are divided about whether SME should be privatised, but all agree that it ought to be a vehicle for regrouping what is left of the Italian food industry.

The prospect of part, or all of Parmalat being sold to Kraft at one these expected likely to

one stage appeared likely to incite a rival approach from Federconsorzi, the federation of small food manufacturers. But the organisation apparently changed its mind, impressed not least by the size

of the Parmalat debt burden of

around L500bn.

A possible joint venture between Parmalat companies and Federconsorzi cannot be ruled out, however, until Mr Tanzi makes his intentions clear. This may not be until September 3 and 5 when he has called shareholders meetings of Parmalat SpA and three other subsidiaries, Parmalat Paes-tum, Max Baker and Tetta-

manti e Figli.
Since these companies are involved in baking, fruit juices and tomato sauce manufacturing, the speculation is that they may be spun off into a new holding company, control of which would then pass to

Mr Tanzi, as a result, would keep control of his core businesses, long life milk and cheeses, together with his television station, Odeon.

Offer seen for Canadian Tire

By Robert Gibbens in Montreal

A NEW chapter in the two-year contest for control of Canadian Tire (CTC), the diversified retailing group, may be com-ing. Speculation is rising of a bid potentially worth around C\$2bn (US\$1.64bn).

CTC, which was Canada's merchandising success story in the 1970s, has this year resumed its growth path after a period of struggling. It is a national franchise chain selling car parts, maintenance and repair, hardware and sports goods at highly competitive A six-month agreement pre-

venting three Billes family members and the store dealers from selling their voting shares expires on Friday. Alfred and David Billes, sons of the founder, want to sell

The dealers earlier tried to buy a part of the family voting stock but this was blocked by the Ontario Securities Commis-

keep her 20.3 per cent share.

their combined 40.6 per cent of the voting common shares. Their sister, Martha, wants to

sion because the terms unfairly excluded non-voting public shareholders. CTC has 85m non-voting A shares out-standing and 3.5m common voting shares.

Last February CTC's board proposed letting the two Billes brothers convert their common shares into class A shares. Then they would have sold Martha and the dealers would have stayed as voting shareholders while the A non-voting shares would have been given the full vote.

rejected the plan and the Billes agreed not to sell any voting shares until August 19.

CTC has sold off two unsuccessful foreign ventures, reshaped policy and installed a new president. The class A stock is now trading at C\$17, up from a year's low of C\$8.50. The latest bid rumours centre on Claridge Investments the holding company of Mr Charles Bronfman of Montreal, and associates. Mr Bronfman is

co-chairman of Seagram, the world's biggest distiller. The George Weston Group, which owns Lobiaw, Canada's largest food distributor, and the restructured Canadian Pacific are also mentioned. The dark horse could be Sears Roe-buck, the largest US retailer, and its Canadian affiliate,

United Engineers ahead of forecast

UNITED ENGINEERS, the once loss-making company which re-entered the Malay-sian stock market early this year under the control of the ruling United Malays National Organisation of Mr Mahathir Mohamad, the Prime Minister, has reported a pre-tax profit of

22.4m ringgit (\$8.6m) for the first half of 1988, up from 5.5m ringgit a year earlier. Group turnover rose to 35.8m ringgit from 14m ringgit, writes Wong Sulong in Kuala Lumpur.

Tan Sri Radin Soenarno, UE's chairman, said pre-tax profit for the second half was

when its shares were relisted on Kuala Lumpur Stock Exchange in May.

expected to be not less than 25m ringgit, giving the group a full-year profit of more than 47m ringgit. This would be more than the 32.6m ringgit profit forecast in its prospectus

The acquisitions will boost European Vinyls' turnover to an estimated DML4bn (\$1.5hn) this year. Last year it made a net profit of DMS0sn on turnover of DM1.88bn. ENI said the acquisitions

the UK.

were part of its strategy to develop European Vinyls' plas-tics business and boost its international presence.
Of the companies to be bought, Interplastic Wels had a turnover of Sch569m (\$42.9m) last year, while Davinyi had a turnover of SKr152m

(\$23.5m), it said.

Buropean Vinyls is planning to raise its capital to F1 708m (\$333m) from F1 360m to help finance its expansion plans.

Mitsubishi profits surge By Our Financial Staff

MITSUBISHI Petrochemical the largest Japanese petro-chemical group, has reported that unconsolidated net earn-ings in the first half of 1988 surged 138.7 per cent to Y9.163bn (\$68.8m) from Y3.84bn a year earlier. Per share net earnings rose

to Y21.83 from Y10.66. Pre-tax profits totalled Y24.94bn, up 145.2 per cent from Y10.17bn. Sales showed a 16.1 per cent year-on-year increase to Y157.4bm from Y135.6bm. Mitsubishi Petrochemical ascribed the jumps in both

pre-tax and net earnings to higher extraordinary profits stemming from an increase in interest payments received during the latest reporting period.

The company is planning to pay Y3 per share in interim dividends, up from the Y2.5 paid a year earlier.

Japan's Kobe signs steel accord with Venezuela

By Joseph Menn in Caracas

KOBE STEEL and CVG, 2 Venezuelan government devel-opment agency, have signed an agreement covering feasibility and pre-engineering studies for a \$1.3m steel complex planned for the country's heavy indus-try centre in Cindad Guayana. The complex would produce im tonnes a year of steel sheets and 1m tonnes of pre-reduced iron ore briquettes. Both

iom and mining in the Guayproducts will be for export.
If preliminary studies turn

nese steelmaker and CVG will set up a joint venture to build and operate the new complex, to be called Comsigna. CVG controls large stateowned ventures in steel, hydro-electric power, alumin-

out to be favourable, the Japa-

ana region.

Kobe Steel is also investing in another project in Vene-zuela, involving the refurbish-ing of a plant formerly owned by US Steel. The plant was designed to produce enriched from one briquethes for the steel industry, but never worked. property.

Robe is leasing the briquette plant, which is now owned by the Venezuelan Government, and says it will make the facil-ity operate efficiently and will export its output. Total investments in the refurbishment project are about \$150m.

Henley hit by interest costs

By Roderick Oram in New York

HENLEY GROUP, the California-based industrial holding company, incurred an increased loss in the second quarter with strong gains in operating profits more than off-set by higher interest expenses, the amortisation of goodwill and other charges.

Interest costs were the main culprit as Mr Michael Ding-man, Henley's chairman, tried to take over Santa Fe Southern

Pacific, the railway and natural resources group.

Last month Henley conceded defeat and sold its 16.9 per cent Santa Fe stake to Itel for \$837m and a 40 per cent stake in Itel.
Once the deal is complete, Henley's long-term debt, which peaked at over \$1bn, will be reduced to virtually zero.

The second-quarter net los was \$57m or 71 cents a share, on revenues of \$840m, against

a loss of \$37m or 87 cents, on a loss of \$57m or 57 cents, on \$915m a year earlier.
First-half net profits were \$46m or 55 cents, after a gain of \$165m from the sale of the M.W. Kellogg unit, against a loss of \$120m or \$1.18 a year earlier. Sales fell to \$1.27bd from \$1.78bn, reflecting the Kallogg disposal.

Kellogg disposal.
The group's four largest operating anbsidiaries all reported strong profit increases in the first balf.

Investors pay \$305m for Lucky's Florida stores

AMERICAN STORES has sold for \$305m the Florida division of Lucky Stores two months after the \$2.5bn purchase of Lucky made American the largest US supermarket chain.
The purchaser was a group
of investors led by Gibbons, Green, van Amerongen, the New York leveraged buy-out specialist which had competed against American for the

Lucky Group.
The division, Lucky's largest outside California, consists of 95 Kash n' Karry stores based in Tampa. In an earlier dis-posal, American sold Lucky's

quarter loss of C\$34m or 10

cents a share, writes Our

Odyssey Partners, another New York buy-out firm.

The Federal Trade Commission has raised anti-trust concerns about the California mar-ket where American'a Alpha Beta Stores and Lucky dominate food and drug retailing.

38 Arizona stores for \$75m to

To meet the concerns American has also agreed to sell 37 Alpha Beta and Lucky stores. Buyers have been found for 30 of them so far. After the disposals, American will own some 200 Alpha Beta and 340 Lucky stores in California.

Reduced loss at Dome Petroleum

DOME PETROLEUM, the Canadian energy group which is being taken over by Amoco Canada for C\$5.1hn, has, reported a reduced second-

Financial Staff.

The company blamed its heavy debt load for the loss, which compared with C\$46m.or 24 cents a year earlier, Revenues slipped from C\$350m to. C\$317m.

Union rejects Pan Am wages pact

By Our New York Staff PAN AM'S hopes of staving off

a financial collapse have diminished with the rejection of a wage freeze and changes in work practices by the Trans-port Workers Union. A substantial margin of the

4.11

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union's 5,200 Pan Am mechanics, service personnel and flight despatchers voted against the pact

The pact would have been worth \$81m in labour savings to the airline in the next three

Pan Am had no comment on its next move. It had originally threatened to sell off many of its sirrraft, routes and facili-ties if it did not get a 10 per cent wage cut. It later offered the wage freeze as a concilla-

With one of the highest debt loads and oldest fleets in the business. Pan Am reckons it needs \$180m in cost savings a year to survive.

These securities have been sold outside the United States of America and Japan. This announcement appears as a motter of record only.

NEW ISSUE

11th August, 1988

_Mr Max

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All these securities having been sold, this announcement appears as a matter of record only.

July, 1988



MITSUBISHI CABLE INDUSTRIES.LTD.

(Incorporated with limited liability under the laws of Japan)

U.S.\$120,000,000

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Kleinwort Benson Limited Morgan Grenfell Securities Limited Salomon Brothers International Limited

UK COMPANY NEWS

RKF steps into continental Europe

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THE PARTY

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RKF GROUP, building services tomers are located – ahead of conglomerate, has taken its the planned unification of specifirst step into continental ifications throughout the EC. Europe with the acquisition of In 1987, Sapragaz achieved a 90 per cent holding in Saprasales of £2.5m as output fell to gaz, a Belgian-based manufacturer of ceiling suspended unit tributor went into liquidation.

Although it is paying only DM 700,000 (£217,000) for the controlling stake in a company which has lost money in the past two years, RKF presented the deal as a major strategic move in the context of the planned creation of a unified European Community market in 1992.

RKF's Rossmore Engineering subsidiary. plans to order immediately 1,000 additional unit heaters from Saprague which at present are supplied by Remor, a Belgian rival and the largest single manufacturer of the product in Europe.

Mr Ian Gould, director for heating and engineering said-

The purchase will lift RKF's share of the western European market for unit heaters to 10 per cent and improve continen-tal distribution for its larger

RKF's Rossmore Engineering

Mr Isn Gould, director for heating and engineering, sald-that RKF expected to double. UK sales of unit heaters to 2,000 within 18 months. Production at Sapragaz's Brussels factory could be raised to 6,000 units without additional. units without additional investment, and the freehold site had room for expension, he

ral distribution for its larger Pak-a-Way cabinet heaters, which until now have been only sporadically sold outside the UK.

Sapragaz also brings RKF the advantage of familiarity with differing standards in Belgium, the Netherlands, West Germany, Italy and Switzer land — where many of its industrial and commercial cus-

FT Share Information Service

The following securities were dded to the Share Information

HPC (Chemicals). Heweison 7% Cm. Cav. Red. Service in Saturday's edition:
Anglesey Mining Warrants
(Section: Mines-Miscellaneous).

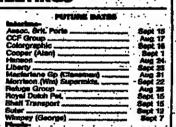
BMSS (Buildings).
Fitch & Co. Design Consultants 6p Cav. Prf. shs. (Paper)

Hewetson 7% Cm. Cav. Red.
Pref. shs. (Buildings).
Severifield Reeve (Buildings).

Tams (John) (Industrials).
Westfield International Tams (John) (Industrials). Westfield International

1.	BOA	RD	ME	ETI	NGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are insulily held-for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-



A three wheel drive into the US

Richard Tomkins on the slowly changing fortunes of Reliant Motor

Oor Reliant Motor. Nobody seems interested in this USM-quoted company's recent return to profitability after two years of pre-tax losses, the rea-sons for its £1m rights issue, or the significance of last month's

the againstance of last month's tie-up with Universal Motors of the US.

Instead, the question that perpetually craves an answer is this. Why on earth do people go on buying the company's staple product, the Reliant Robin?

staple product, the Reliant Robin?

The butt of endless jokes, this extraordinary plastic three-wheeler — in fact renamed the Rialto in 1982 — continues to find a market in spite of its unprepossessing looks and relatively high cost.

First developed as the Reliant Regal in 1953, the car used to be the next step towards car ownership for the less-well-off family with motorcycle and family with motorcycle and sidecar. Its lack of a fourth wheel meant it could (and can) be driven with just a motor-

roday, its main selling points are its low running costs and the long-vity of its fibreglass body. But small production volumes do not permit economies of scale, and the asking price of £5,145 for the hatchback looks high against £4,896 for a Metro.

One reason why the car still.

£4,996 for a Metro.

One reason why the car still, sells is the replacement market. According to Mr Arthur Baines, a Reliant dealer at Bardon Goldstar Garages in Whitwick, Leicestershire, a strong sense of loyalty binds Reliant owners to the Robin ethos.

"It's hard to pinpoint why, but they just seem to fall in love with them," he says. "A lot of our customers give them names like Bessie or Gert."

names like Bessie or Gert." Sometimes, too, the car's-curiosity value threatens to give it cult status — as when the lifestyle magazine Excel ran a tongue-in-cheek article earlier this year suggesting that the Robin could become seles down from a peak 15,000 to under 2,500 e year

ers is nevertheless mature. Reliant's sales have fallen from a peak of 15,000 Robins a year in the early 1970s to less than 2,500 Rialtos a year now, and the weakfaces of the flowweath the workforce at its Tamworth, Staffordshire, factories is down from 2,500 to 350.

Reliant, however, is not just the Rialto. The company also has a tradition of sports car manufacture going back to the 1960s, when it developed the Scimitar GTE - a high-performance estate car which won fame as a favourite of Princess

Anne, the Princess Royal. That model was dropped in 1986 when Reliant decided that volumes did not justify the cost of updating it. Instead, the company launched an open two-seater sports car, the SS1, to fill the gap left by BL's discontinued MG and Triumph

sports cars. Initially, the SSI did bally. Although its performance and handling was praised, its body styling came in for criticism. Further, Reliant - by then turning in pre-tax losses - could not afford heavy outlays on promotion, and sales fell well short of target.

Last month's deal with Universal Meteors, a New York heard.

eral Motors, a New York-based importer and distributor of spean essential yupple appurtedalist cars, has saved the SS1 from probable extinction by providing for a body re-styling at Universal's expense and put-ting the new-look model into the North American market.

This should lift sports car production from 250 a year to at least 2,000 when exports to the US begin late next year. Last month's rights issue will help finance the higher produc-tion leavels.

Significantly, the Universal deal also gives the US company the rights and licences to the car, putting Reliant in the role of manufacturing sub-contrac-tor – though Reliant will market the vehicle in the UK and Europe under licence from Uni-

Reliant's new role under this deal reflects a fundamental change in the company, born out of the recognition that it is simply too small to compete against the industry giants in the face of escalating design and development costs.

As Mr Cyril Burton, manag-ing director, frankly acknowl-edges: "I don't see Reliant ever going back to the drawing board with a blank sheet of paper to design and develop a motor car, because I can't see us being able to afford it."

Instead, Reliant sees its future as a sub-contractor offering design, engineering and manufacturing services to the automotive industry. An example was last year's contract for the heads manufacturing the seasons of tract for the body manufacture and assembly of Ford's limit-ed-run RS200 rally car.

More recently Reliant's industrial mouldings division has won contracts to supply van roof extensions for the Ford Transit and complete

body shells for the new London taxi, Metro-Cammell Weymann's Metrocab. These con-tracts helped turn interim pre-tax losses of £29,000 into a tiny pre-tax profit of £13,000 for the half year to March 1988.

Reliant's shares have shot up in the wake of these devel-opments from a low of 30p (adjusted for rights) in April to 39p now. But then, it has been a volatile stock since the company was demerged onto the USM by Nash Industries (formerly J.F. Nash Securities), the quoted engineering, con-struction and packaging group.

It is likely to remain so. The company's market value is only £2.5m, and 51 per cent of the shares are held by the fam-ily interests of Mr John Nash – the man who recently hit the headlines in a fight for control over the future direction of Nash Industries, in which he retains a 31 per cent stake. (He

The share price, too, is looking e long way ahead. The results of the drive into the US market will not become apparent until the results for the year to September 1990 are out.

Meanwhile, the company's performance will largely depend ou how much work Reliant can win for its plastic mouldings subsidiary. It would like more contracts like a recent one that left the company's reputation for quirki-ness undiminished: manufacturing a consignment of riot

COMPANY NEWS IN BRIEF

GARTMORE EUROPEAN Investment Trust: net asset value per 50p share fell to 347.6p (440.7p) at June 30. Net revenue declined to £109,000 (£139,000). Earnings slipped to 2,55p (3,28p) and it is proposed to raise the final dividend to

per cent of the ordinary.

HYMAN, Oldham-based polymerthane foam converter and manufacturer, is acquiring Ryburn, a producer of reconstituted polymethane foam and rubber-based products which operates from two sites in Hali-

PENDING DIVIDENDS

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements except when the forthcoming board meetings (indicated thus ") have been officially notified. Dividends to be declared will not necessarily be at the amounts in the column headed "Announcement last year."

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PLEASURAMA PLC

Rights issue of 33,969,130 new ordinary shares of 5p each ("New

Ordinary Shares") at 175p per share and 67,938,261 new convertible cumulative redeemable preference shares of £1 each allotted and redeemable at £1 per share entitling holders to

an annual fixed preferential dividend of 7.75p (net) per share ("New Convertible Preference Shares").

The Council of The Stock Exchange has admitted the New Ordinary Shares and the New Convertible Preference Shares to

Listing Particulars relating to Pleasurama PLC, the New Ordinary Shares and the New Convertible Preference Shares are available in the statistical services of Extel Pinancial Limited

and copies are available for collection during normal business hours on any weekday (Saturdays and public holidays excepted) from the Company Announcements Office, The Stock Exchange, 46 Finsbury Square, London ECZA 1DD up to and including 17th

August 1988 and, up to and including 29th August 1988, from the

PLEASURAMA PLC 17 Great Cumberland Place London W1H 7LA

15th August 1988

the Official List.

County NatWest Limited

Drapers Gardens

12 Throgmorton Avenue

London EC2P 2ES

fax. Consideration will be satisfied by the issue to the vendors of 4m ordinary stock units, equivalent to £1.68m.

LAC WASTE MANAGEMENT SERVICES and Wistech have merged their respective Scot-tish interests. Each party has a 2.5p (2.25p). The offer for Hansgross has been declared unconditional with acceptance of the largest industrial and environmental industrial service companies in Scotland.

tion will not be referred to the Monopolies and Mergers Com-

NEW GURRNSEY Securities: Net asset value per share totalled 95p at June 30 1988, an improvement of 12.2p over the figure standing at August 20 amounted to £13,045 (£5,434). Earnings worked through at 5p (2p). Comparisons relate to the period between the formation of the company and its financial year-end.

PILLAR MERCHANTING, a member of the RTZ Pillar Group, has acquired Harduns (Contractors' Tools) from John Mowlem for a price in excess of

WACE GROUP has acquired Alpress Holdings, producer of roll self adhesive labels, for e maximum £508,000 dependent on profits. Consideration will-be satisfied as to £250,000 cash with the balance via the issue of 78,964 new ordinaries.

PRICE WATERHOUSE and the FINANCIAL TIMES CONFERENCE ORGANISATION

MARKETS

WORKSHOP

12-14 SEPTEMBER - 17-19 OCTOBER 7-9 NOVEMBER · 7-9 DECEMBER

The risks involved in trading often complex instruments in the capital markets are very clear and the events of last Autumn make the problems even more immediate. In these workshops a panel of Price Waterhouse and banking industry experts examines the risks and explains how they can be managed successfully. Speakers will be drawn from a panel including:

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General Manager, Treasury	Assistant Manager
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BANK OF GREECE

US \$250,000,000

Floating Rate Notes due 1997 Holders of Floating Rate Notes of the above issue are hereby notified that for the Interest Period from 16th August, 1988 to 16th February, 1989 the following information is relevant:

1. Rate of Interest: 91/2% per annum 2. Interest Amount payable on Interest Payment Date: ÚS\$ 472.78

per US\$ 10,000.00 nominal or US\$ 11,819.44 per US\$ 250,000.00 nominal

Payment Date: 16th February, 1989

Interest

Bank of America International Limited

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to the holders of the outstanding £59,000,000 43/4 per cent. Convertible Bonds due 2003 ("the Bonds")

Ranks Hovis McDougall PLC

(Convertible Into ordinary shares of 25p each of RHM)

Holders of the Bonds are hereby notified that Goodman Fielder (U.K.) PLC, a wholly owned subsidiary of Goodman Fielder Wattie Limited (a company incorporated in New South Wales, Australia), has made an offer to acquire the whole of the issued ordinary share capital of RHM not already owned by Goodman Fielder Wattie Limited or its wholly owned subsidiaries at e price of 455p cash per ordinary share. As an alternative, approximately 20% of the total value of the offer will be available to accepting RHM ordinary shareholders in the form of Convertible Loan Stock of Goodman Fielder (U.K.) PLC guaranteed by, and exchangeable for ordinary shares of, Goodman

The closing price of RHM ordinary shares on The Stock Exchange in London on 11 August, 1988

Offer Documents and Listing Particulars were posted on 8th August, 1988 and the offer will remain open for acceptance until 3 p.m. on 29th August, 1988 (or such later time(s) and/or date(a) as Goodman Fielder (U.K.) PLC may decide). The offer extends to any RHM ordinary shares unconditionally allotted and issued, while the offer remains open for acceptance, upon conversion

Following the offer becoming or being declared unconditional in all respects, an appropriate offer or proposal will be made by Goodman Fielder (U.K.) PLC to the holders of the Bonds.

Goodman Fielder (U.K.) PLC Plumtree Court

London EC4A 4HT

Registered No: 2105270

This Notice has been approved by Samuel Montagu & Co. Limited and S.G. Warburg & Co. Ltd. Copies of the Offer Document and Listing Particulars are available from the offices of Samuel Montagu & Co. Limited, 10 Lower Themes Street, London EC3R 6AE.

FINANCIAL TIMES STOCK INDICES Aug. Aug. 1988 Since Compilation High Low 88.31 88.23 88.35 91.43 86.97 127.4 49.18 AUG. 11 87.98 Covernment Sers. 88.17 87.92 97.43 97.91 97.84 97.77 98.67 94.14 105.4 50.53 1482.1 1501.1 1514.7 1512.8 1512.8 1349.0 1926.2 49.4 97.42 97.45 1484.8 1477.6 Fixed Interest ... Gold Mines 189.5 188.9 190.4 195.0 196.9 200.4 312.5 195.4 734.7 43.5 961.69 957.69 960.57 971.38 978.58 978.32 978.32 870.19 1238.57 1843.4 1835.2 1839.9 1862.6 1876.0 1875.9 1879.3 1694.5 2443.4 FT-Act All Share FT-SE 100

Interim Financial Highlights 1988 1987 UP HALF HALF YEAR YEAR £449.1m £339.7m 32% Sales £27.8m £19.5m 42% Pre-Tax Profits Earnings Per Share 26% 9.3p 7.4p 21% Dividend 1.45p The first helf of 1988 showed a continuation of the excellent progress being made by our core businesses would wide. We are confident that our efforts will continue to produce the excellent progress that has characterized our recent achievement. The British based international company with interests in automotive components, friction materials, industrial textiles and engineering products. PO BOX 20, CLECKHEATON, WEST YORKSHIRE. BD19 6HP

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incorporated in England under the Companies Acts 1948 to 1967—No. 1/41949 This advertisement is issued in connection with the Placing and Open Offer by Hambros Bank Limited

of 16,458,695 Redeemable Cumutative Convertible Preference Shares of 20p each at 100p per share

The new Convertible Shares have all been conditionally placed with three oversees investors. Of those shares, 16,341,711 are first being made available for subscription by York Trust Ordinary Shareholders under the terms of the Open Offer on the basis of five new Convertible Shares for every slateen Ordinary Shares held on 15th July, 1988. The Placing and Open Offer are subject, inter-alia, to approval by the York Trust Ordinary Shareholders at an Extraordinary General Meeting of the Company to be held on 15th August, 1988. The Company also proposes to issue 18, 706,801 new Ordinary Shares in connection with the proposed acquisition by the Company of Kennedy Associates, Inc., Kennedy Associates Real Estate Counsel, inc. and Barker, Klin & Partners Umited. Following completion of the Placing and Open Offer and the Acquisitions the share capital of York Trust Group pic will be:

	ised leaved and fully paid
Ordinary Shares of 10p each 14,199	361 7,100,028
Redeemable Convenible Preference Shares of 10p- each	900 2,900
Redeemable Cumulative Convertible Preference Shares of 20p each 3,291	739 3,291,739
Deferred Shares of 10p each:	.000

Application has been made to the Council of The Stock Exchange for the grant of permission to deal in the above-mentioned new Convertible Shares and new Ordinary Shares, in the Unlisted Securities Market. It is emphasised that no application has been made for these shares to be admitted to fisting.

Particulars of the Company are available through the Extel Unlisted Securities Market Service and copies may be obtained during normal business hours on any weekday (excluding Saturdaya) up to and including 17th

Hambros Bank Limited, 41 Sishopagale, London EC2P 2AA.

CL-Alexanders Leing & Cruickshank, Piercy House, 7 Copthall Avenue, London EC2R 78E.

15th August, 1988.

CITICORPO

August 15, 1988, London By: Citibank, N.A. (CSSI Dept.), Agent Bonk CITIBANCO

US\$250,000,000 Floating Rate Subordinated Capital Notes due August 1996

and from The Company Announcements Office, The Stock Exchange, 46 Finebury Square, London EC2P 29T.

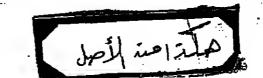
Notice is hereby given that the Interest payable on the relevant Interest Payment Date, August 23, 1988, for the period May 14, 1988 to August 14, 1988 against Coupon No. 16, in respect of U.S.\$50,000 nominal of the Notes will be U.S.\$998.40

James Capel & Co.

6 Devonshire Square London EC2M 4LB

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12 Tear about – intention is to get clothing (7) 13 Overturn bus returning to green (7) 14 You may get a rise through 15 Tear about – intention is to cover cave (5) 8 Upset about artist and little Mary making mistake (7) 9 Shop with youth leader on this floor (6)	Damedin Unit Tet Mages Ltd (1430)F 52 British Cr 5 18.66 58.66 40.515.20 625 25, Ravetson Terrate, Fellowerin 631.515.2900 McSmall Cr 5 18.515.20 41.5715.114668 British Cr 5 18.515.20 18.515.20 60.4	GUIDE TO UNIT TRUST PRICING The data included under the Authorised section of the FT that Trust information pages is being expanded in improve the service to renders and to conform with new legislation.	Sun Alliance Unit Tel Magnet Lin (1288)#
14 You may get a rise through this (5) 16 Displaying sensuality, creature is starting to mate (9) 17 Without oriental, cooked rice isn't in - genuined (9)	9th Aver (3) 91020 1043 11036 A7 (2005) Gresham Unit Tst Mogrs (1.000) Exempt 397.00 40.41 49.2019.954026 Housthell Pt. Sosthamuter S09187 6703 212080 For EBC Army See Dument Trust Mogr. Global Gresham 54,18,31 125,100 (2005) Global Gresham 54,18,31 125,100 (2005) For EBC Army See Dument Trust Mogr. Global Gresham 54,18,31 125,100 (2005) For EBC Army See Dument Trust Mogr. Global Gresham 54,172,61,74,7 196,913.9146998	penny expanded to improve the service to readers and to contorm with new registation. BRITIAL CHARGES These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included to the price when the customer buys units. OFFER PRICE The price at which oolts may be bought. BID PRICE	Deposit
19 Model example (9) 20 Some educate their children to collect old money (5) 22 Recounts Laertes' disaster 18 Got coin in disguised state (9) 19 Strike up bargain for vegetable (7)	### Medilik Criscopt, Edisbergh 0345-090 526 ###################################	The price at which units may be said.	Social Perticile Pertici
(7) 25 Unlawful for the Italian member to join Capone (7) 27 They kept the — tenor of about (5) 21 A boy in race shows special ability (6) 23 French river has oil floating about (5)	Growth & Inc	The maximum spread between the offer and bid prizes is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrows spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. Nowever the bid price might be moved to the cancellation prize in circumstances to which there is a large excess of sellers of units over buyers. Table The time shows allongside the fund manager's name is the lines at which the unit trust delity dealing prices are sermally set union sunspects that is, indicated by the survival above the sellers of the survival above the sellers.	Royal Back of Causta Fands (1500)F . Sen Life Trust Magest Ltd (1200)H
their way" (Gray) (9) 28 A religious article relating to be (5) 26 Smallest student gets direc-		The Line shows alongside the fund manager's maste is the Line at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: \$\infty\$ old to \$1.00 hours; \$\infty\$ - \$1.01 to \$1.400 hours; \$\infty\$ - \$1.01 to \$1.400 hours; \$\infty\$ - \$1.01 to \$1.00 hours; \$\infty\$ - \$1.01 to midnight. HISTORIES PRICEING The letter it denotes that prices are set on a historic basis. This means that, unless there has been an intervening portfolio revaluation, investors can normally buy and self units today at the prices appearing to the newspaper which have been set on the basis of yesterday's asset	Select former: 36.1.57 61.79 62.9713 80.11389 Amy Former Acr (1. 20.27 1
29 Notice part if it involves embellishment (14) DOWN 2 Recluse has time to make The solution to last Saturday's prize puzzle will be published	Eagl A Star Unit Mingrs Lid (1000)H Ball Read, Delienham (15170) 10 202 221311 Read Exchange, Lendon ECN 132 01 1-688 (990) 10 8 Lancord Act	the prices appearing to the newspaper which have been set on the basks of yesterday's asset wake. FORWARD PRICING The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out last Friday. Other explanatory notes are contained in the last column of the FT Unit Trust information	The Brangari Linchted Sel.14 Sel.14 Sel.14 Sel.14 Sel.14 Sel.15
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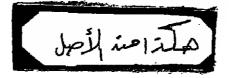
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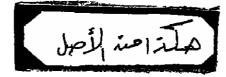
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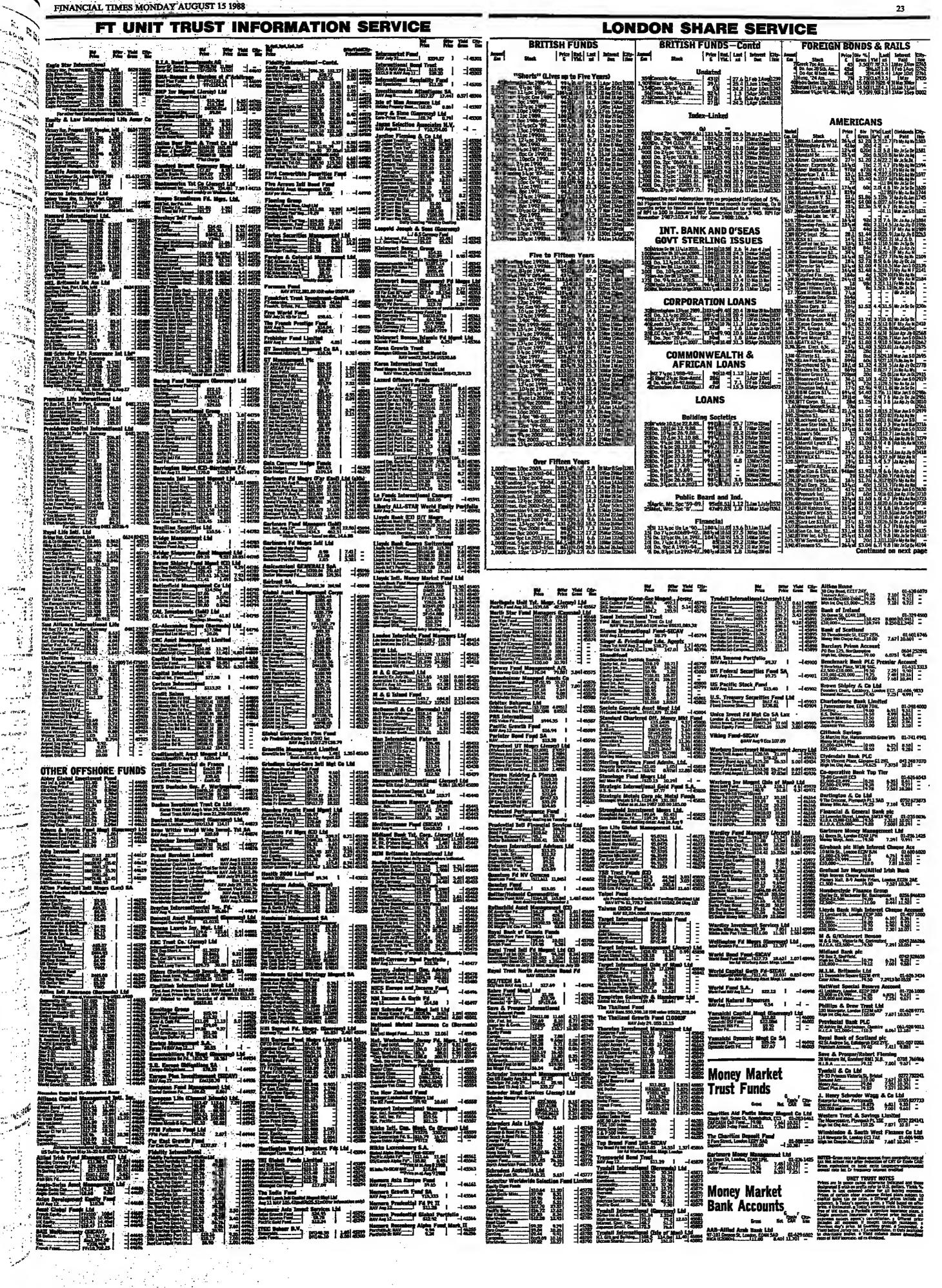
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Ed. | 120 45 | 105 45 | | Color Peat F Ed. | 120 45 | 105 45 | | Color Peat F Ed. | 120 45 | 105 45 | | Color Pe Part North American. 109.6 From North American. 109.7 Fr | De Account | 165 St. 65 St. | With Wester Bd Fd. | 49.3 | 39.3 | 29.3 | 29.4 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 | 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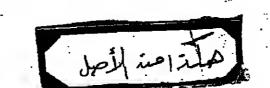
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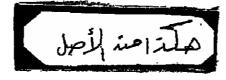
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		FINANCIAL TIM	ES MONDAY AUGUST 15 1988
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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

London looks to UK bank lending after US trade data

THIS WEEK should contain plenty of news to keep dealers on their toes, adding to the events of last week, and possibly providing further evidence on whether there are economic problems ahead for the US and

Last week was expected to be dull, but despite the usual holiday season lethargy, managed to create quite a stir, as interest rates climbed and the spectre of inflation reared its

ugly head.
US trade figures for June will be published tomorrow. and there are several UK eco-nomic statistics this week, including July money supply and bank lending on Thursday.

Forecasts for the US trade deficit range between \$10bn and \$12bn, compared with \$10.9bn in May. A figure below \$11.5bn will probably be regarded as reasonably good, and may be regarded as another excuse to buy the dol-

The US currency stallad around DM1.92 last week, and retreated back to DM1.83, but this was largely a technical reaction, after a long period when the dollar has advanced at the expense of the D-Mark.

The main worry in the mar-ket is that the US trade figures will steadily worsen in the lat-ter part of the year, and it looks to be a question of

whether the dollar will breach DM2.00 in the next month or so, before beginning on

out of the way, attention in London will turn to the UK money supply and bank lend-ing figures.

The main area of concern is bank lending, amid fears that July lending by banks and building accieties (M4), will exceed the record set in June of 52 5th

The cnt off for mortgage related double tax relief on single homes was the beginning of August, and this probably swelled lending in July.

Proud owners of "F" registration vehicles may have also

A figure in line with June is likely to be greated with some relief in the City. Last week's surprising risa in UK bank base rates led to suggestions that the authorities already had a good idea how the figures would turn out, and did not not like what they saw.

ANZ Merchant Bank, Chase Manhattan Gilts, and Klein-wort Grisveson Research, expect 19bn, while Morgan Grenfell, and Warburg Securities forecast £9.5bn.

July unemployment figures will also be announced on Thursday. The market will look at the level of average earnings, for any sign of inflationary pressure.

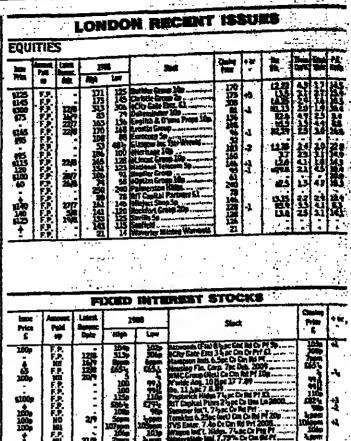
There is a division of opinion in the City on whether the year-on-year average rise will 8.75 p.c.

attract more attention than in the recent past, because of fears about inflation. The monthly rise is expected to be 0.1 p.c. or 0.2 p.c., taking the sunual rate of inflation up

to 4.8 p.c. or 4.9 p.c., from 4.6 Higher mortgage rates are

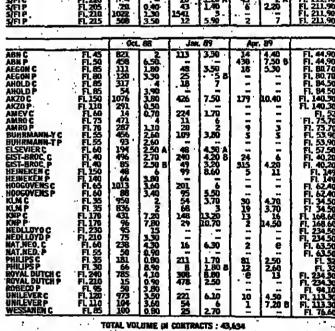
Higher mortgage rates are expected to push year-on-year inflation through 5 p.c. in August, with 6 p.c. seen as a possible peak this year.

Apart from the trade news, events claiming attention in the US this week will be the Republican Convention, beginning in New Orleans today, and tomorrow's meeting of the Federal Open Market Committee.



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15 15 15 16 16 16 16 16 16 16 16 16 16 16 16 16	Pets-set Sep 16 26 41 59 00 57 Pets 71 5211 Pets	Dec. 14 19 26 36 36 59 74	Forecast, or estimate divident, cover and president for 1968. If annualised dividend, co	e based on Dividend a over and pl to holders with reorga	tes givident latest annu me yiqid bu e ratio base oi onlinary eksation me	race, con sat earging led on prosp gleanes as rose or tak	destination of Divisions rate paid or payable depth and yields. Divisions rate paid or payable depth and yields. Divisions and yield exclusive the record of previous yields are carriers. I. E. H. Divisions and yield based on Promoce process or other withcale estimates. So 2309 tests or palacy official estimates. W Pro For a "rights," a hottoduction sprincing switch, convert. Midwiners price. B Undiston security, and Market.	us or gelier () Gross.R F rea Higgsus.	offic orce; ista				

	ROPE							
		Aw	. 6 8	No	v. 88	Fel	. 89	
Serie		Vol	Last	Val	Last	Vot	Last	Stock
EBLD C	5 420	100	138	-	2.2	4	37 B	\$ 433.2
COLD C	\$460	-	-	ş	8.50	227 75 5	17.50 3.50	\$ 433.2
GOLD P	\$ 400		1 - 12	2	3 e	79	12:20	\$ 433.2
GOLD P	. 5420	658	0.50	47	6.80	>	10	\$ 433.2 \$ 433.2
GOLD P	5 440	68	1 -2	27	14.50 A		1 : 1	\$ 433 2
GOLD P	5 460	303	29_		- 88		1. 89	3 120 2
			. 88.				4 07	3 68
SHVERC	\$ 950	75	-5	75	13			2.06
		Au	. 88	54	. 88	100	. 88	
EOE Index C	FL 230	171	7.50	4	10	15	12.50	FL 237.2
EOE Index C	. FL 235	86	4.50	128	6.80	10.	7.50	FI 237 2
EOE Index C	FI, 240	414	1.80	93	4,80	78	7.50	FJ. 237.2
EDE Index C	FJ. 250	-	-	15	2	30	1 4 1	FI. 237.2
EOE Index P	FL: 220	В	0.20	. 15	2.20 4.80	30 20 N 4 3 1 7 4 5 6	1 2 5	.Fl. 237.2
EOE Index P	FI. 230	196	1.40	144	7.60	244	7 7 1	FI. 237.2
EOE Index P	FL 235	652 263 75	2.70	21/	9.30	44	1150	FL 237.2
EDE Index P	FI. 240	معت	5,40 8,80	97	12.50	1.0	13.50	FI 237 2
EDE Index P	FJ. 245	303	2.80	306	4.50 8	. 13	الإحما	Fi. 211.9
S/FIC	Fi 215	160	cia .	700	1325	· = .	3.20	71. 211.9
SFIC	Fi.220	110	1	93 20 43	245 120 A 140	48	1. 2 4	FL 211.9
SIFIP	FL 205	20	0.40	43	FT 35 "	7	2.20	FL 211.9
SPie.	FL 210	1022	2.30	1541	1 - 3 . 1	=	1	Fi. 211.9
SPIP	F1, 215	508	3.50	32	5.90	_ 2	7_1	Fl. 211.9
		7 4		7	- 00	_		
	1.00	Va	188		4 89	- Pari	. 89	



A-Ask . B-Eid C-Car

Aug.12	Close		Previous Clase		
Spot	1.7135-1. 0.35-0. 1.04-1. 3.10-3.	33om 1 02pm 00pm	1.7095-1.7105 0.38-0.37pm 1.12-1.10pm 3.25-3.20pm pply to the US dollar		
TERLI	NG IN	DEX			
		Apg.12	Previous		

3.00 pm 76.4 76.9 **CURRENCY RATES**

CURRENCY MOVEMENTS

OTHER CURRENCIES						
Aug 12	£	- \$				
Argentina Australia Australia Finland Greece Hong Knog In Korea/Stib Korea/Stib Korea/Stib Mexico M. Zeoland Singapore At (Cm) At (Fm)	6.1655 - 6.2785 48.75 - 49.05	11 9200 - 12 0000 1.2455 - 1 2465 259, 40 - 260,65 4,4540 - 4,4560 149,10 - 151,60 7,8015 - 7,8035 70,40 720,30 - 726,10 0,28390 - 0,28410 39,40 - 39,50 2,6450 - 2,6470 2284,00 - 2292,00 1,4935 - 1,5005 3,7500 - 3,7510 2,0380 - 2,0400 2,4290 - 2,4320 3,6025 - 3,6735 3,6725 - 3,6735				
*Selling rate						

AG	AIN	ST S		LIN	G
-1	Spot	1 mth	mths	etrm etrm	12 antis
US Dollar D-mark French Fr. Swiss Fr.	1.7150 3.2250 10.950 2.7000	1.7115 3.2094 10.947 2.6826	1,7050 3,1786 10,942 2,6506 224 67	1.6973 3.1384 10.935 2.6084	1.6850 3.0649 10.924 2.5282

EMS EUROPEAN CURRENCY UNIT RATES

POUND SPOT- FORWARD AGAINST THE POUND

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

EURO-CURRENCY INTEREST RATES

EXCHANGE CROSS RATES

3.008 4.576

5.234 16.19

0.837 11.83

0.742

1.291

NEW YORK

1.129 15.94

1.521

another downward course? Once the US trade news is

added to the amount of lending during last month. A figure in line with June is

not not like what they saw. Stockbroker Phillips & Drew has revised its forecast of M4 lending up to £8bn from £7bn, but this is still on the low side.

James Capel agrees with this figure, but Nomura Research Institute goes for £8.5bn.

remain at 8.5 p.c., or rise to Friday's UK retail prices index for July is also likely to 7.45 4.80 2.95 1.80 1.65 0.50 0.45

JAPANESE YEN (BIND Y12.5m \$ per Y200

84-31 84-12 83-27 82-25 82-10 81-28 81-15 80-24 80-14

BASE LENDING RATES

Co-operative Bank

Contis & Co
Cyprus Popular Bk
Dunhar Bank PLC
Dunnan Lawrie
Engatorial Bank plc

exeter Trust Ltd 111½
Financial & Gen. Sec. 10½
First Rational Bank Pic. 11½
Robert Fleming & Co. 11
Robert Frazer & Pturs. 12
Giroban 4

Guisness Mahoo

HFC Bank pic.

Handrus Bank
Heritable & Gen lan Bk.
Hill Samuel
C. Hoare & Co.
Honghoon & Stands

L, moare & Co.
Hoogkoog & Shangh ...

Leopold Anceph & Sons ...
Leopold Anceph & Sons ...
Leopold Anceph & Sons ...
Leopold Anceph & Sons ...
Meghraj Bank Ltd ...
Midland Bank ...
Moust Bank ...
Rat Bt. of Konsalt ...

Provincial Bank PLC.... R. Raphael & Sors Royal Bk of Scotland

Unity Trust Bank Pic . Western Trust

Banking & Securities Houses Association. * 7 day deposits 4.36% Sarraries 7.16%. Top Ter-£10,000 + instant access 9.9% & Mortgage base rate. § Demand deposit 6%. Mortgage 10.875% - 11.25%

Estimated volume total, Calls 0 Puts 20 Previous day's open int. Calls 873 Puts 988

234 -146 -131 312 091

CHICAGO

Allied Irish Bank
Henry Anshacher
ANZ Basking Group
Associates Cap Corp

Banco de Bilhao Bank Hapoalim Bank Leunei (UIO Bank Credit & Comm

Bank Credit & Comma
Sank of Cymes
Bank of Heland
Bank of Heland
Bank of Soutand
Benchmark Bank
Benchmark Bank PLC
Berliner Bank AG
Brit No of Mid East

Estimated Volume 13122 (15061) Previous day's open lot. 44877 (43446)

Estimated Volume 11649 (19362) Previous day's open lat. 8426 (8310)

CURRENCY FUTURES LIFFE-STENLING \$25,000 \$ per 6 1,7105 1,7043

MONEY MARKETS

Bundesbank could face difficulties

A RISE in US and UK interest rates last week could cause problems in West Germany, where the Bundesbank may soon be forced into another round of rate increas Day-to-day funds in Frankfurt have reached 5 p.c., in line with the Lombard emergency

Last week's securities repurchase agreement rate, set at the Rundesbank's tender, was an unchanged 4.25 p.c. There should be no need for another pact this week, because there is no expiring agreement, but there is strong speculation that the Bundesbank will announce

G11.00 a.m. Aug.12) 3 months US dollars

4.15625

继

+0.1250

:

BANK OF ENGLAND TREASURY BILL TENDER

WEEKLY CHANGE IN WORLD INTEREST RATES

PANKFURT

another tender.

Last week's allocation of funds was insufficient, when

0.532 7.512

0.472

0.820 2.535

0.275 0.418

0.478 1.478

1413

0.886 1.348

1.542

62.72 95.40

豒

11 per cent from August 9

set against the expiring agree-ment, and money being sucked from the banking system by Bundesbank intervention on

the foreign exchanges. The problem of intervention eased towards the end of the week as the D-Mark recovered, but if tomorrow's US trade fig-ures provide encouragement FT LONDON INTERBANK FIXING

Ang.12

300 5175 5375

먨

72

change

+2.07 +0.25 +0.30

Unch'd +0.300 +0.300

Unch's

Unch'd Unch'd

for the dollar, the Bundesbank may be forced to defend the D-Mark again.

2393 1395

0.649 9.163

1913 0775

0.575 0.874

Apart from the technical tightening of credit caused by this, the Bundesbank may be more than happy to aupply another securities repurchase agreement, in order to signal higher interest rates, and ease

pressure on the D-Mark. Mr Guenter Storch, a mem ber of the Bundesbank Board, was reported to have said at the weekend that in his opinion a rise to 4.50 p.c. in the repurchase rate is out of the question, but some market observers believe the rate could go as high as 4.75 p.c.

Treasury Bins and Books									
(4pm) One month 5.66 Three year 8.82 Prime rate 10 Three month 6.74 Four year 9.03 Broker loan rate 94.15 Sk month 7.83 Seens year 9.23 Fed funds 10 pres 9.24 9.24 9.25 Fed funds 10 pres 9.26 9.26 Fed funds at loterweetiles 100 pres 9.25 Fed funds at loterweetiles 100 pres 9.43									
Aug 12	Overnight.	One Month	Two Months	Thrêe Montis	Six Months	Loenbard John restiga			
Franklort	4,85-5.05 75-71 15-13 54-54 3,96875 30-109 4,75 71 ₆ -71	5.10-5.25 71-7.6 31-35 51-35 4.15625 105-114 61-7 71-75	5.20-5.35 74-74 74-74	5,30-5,45 72-73 53-4 54-58 11-11-5 72-73 74-73	5.50-5.70 711-84 8-84	5.00 6.75 - - - -			
LONDON MONEY RATES									
Aug.12	Overnigh	7 days notice	One Month	Three Months	Six Months	Aest. One			
Interbank Offer Interbank Bid Interbank Bid Sterling CDs. Local Authority Deps. Local Authority Bonds Discount Mitt Deps. Company Oepositssit Treasary Bills (Boy) Bank Bills (Boy) Fine Trade Bills (Bay) Dollar CDs. SDR Linked Dep Offer SDR Linked Dep Offer ECU Linked Dep Bid ECU Linked Dep Bid	912	10½ 9% 10½ 10½	强	11 11 11 11 11 11 11 11 11 11 11 11 11	7% 7% 7%	774 734 8 774			
Treasury Bills (sell): one-month 10 ½ per cent; three months 10% per cent; Bank Bills (sell): one-month 10% per cent; three months 10% per cent; Treasury Bills; Average teader rate of discount 10.6781 p.c. ECGO Fixed Rate Starting Export Finance. Alake up day July 29, 1988. Agreed rates for period August 24,1989 to September 25, 1988, Scheme II 1.49 p.c., Scheme III 6 III: 11.86 p.c. Reference rate for period July 1,1988 to July 29, 1988, Scheme IV 1.60 p.c. Sch									

MONEY RATES

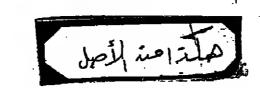
Treasury Bills and Roads

FT-ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Facuity of Actuaries

NATIONAL AND REGIONAL MARKETS	FRIDAY AUGUST 12 1988					THURSDAY AUGUST 11 1988			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Doilar Index	Day's Change	Pound Sterling Index	Local Currency - Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1988 High	1988	Year ago (approx)
Australia (87)	148.04	+0.5	127.98	122.68	3.61	147.27	128.32	122.19	150.71	91.16	157.82
Austria (1.6)	86.13	+1.5	74.46	84.26	2.47	84,89	73.97	83.70	98.18	83.72	95.26
Belgium (63)	111.42	+1.5	96.32	109.77	4.60	109.21	95.68	109.14	139.89	99.14	131.18
Canada (128)	119.49	+0.4	103.29	105.56	3.18	119.03	103.71	105.50	128.91	107.06	140.64
Denmark (39)	121.64	+0.7	105.16	119.20	2.44	120.81	105.26	119.45	132.72	111.42	111133
Fisland (26)	126.21	+0.5	109.11	118.00	1.46	125.65	109.48	118.29	139.53	106.78	
France (129)	89.88	+0.9	77.70	90.02	3.61	89.06	77.60	89.93	99.62	72.77	106.95
West Germany (100)	74.19	+1.7	64.14	72.52	2.55	72.94	63.55	72.05	80.79	67.78	102.08
long Kong (46)	105.94	+0.3	91.58	106.12	4.47	105.59	92.01	105.78	111.86	84.90	141.34
reland (18)	130.25	+0.3	132.60	128.56	3.71	129.86	113.15	129.50	144.25	104.60	139.95
taly (102)	71.52	+2.2	61.83	74.52	2.70	70.01	61.01	73.61	81.74	62.99	87.49
lanan (456)	163.87	+0.4	141.66	1.37.87	0.52	163.25	142.25	138.12	177.27	133.61	
Vlalaysia (36)	149.32	-0.5	129.09	152,17	2.41	150.07	130.76	153.16	154.17		141.13
Mexico (1.3)	146.60	-L1	126.74	366.74	1.48	148.30	129.22	371.00	180.07	107.83	188.94
letherland (38)	102,98	+1.2	89.03	99.79	4.59	101.80	88,70	99.64	110.66	90.07	294.25
lew Zealand (20)	79.58	−0.5	68,80	63.26	5.83	80.01	69.72	63.48	84.05	95.23	130.57
Norway (25)	117.27	+0.5	101.38	109.55	2.75	116.64	101.63	109.47	132.23	64.42	117.78
Ingapore (26)	130.20	+0.1	112.55	122.34	- 2.13	130.04	11331	122.40	135.89	98.55	170,77
South Africa (60)	111.49	1 +0.7	96.38	88.62	4.78	110.72	96.48	88.82		97.99	173,59
ioain (43)	146.57	+0.5	126.71	136.86	3.30	145.84	127.08	137.72	139.07	109.87	168.29
Sweden (35)	113.66	+1.4	98.25	108.82	2.62	112.10	97.68		164.47	130.73	142.05
witzerland (55)	77.21	+12	66.75	75.39	2.27	76.32	66,50	107.91	125.50	96.92	125.53
Inited Kingdom (325)	132.22	+1.2	114.30	114.30	4.42	130.60		75.23	86.75	75.60	106.61
JSA (580)	107.12	-0.1	92.60	107.12	3.70	107.22	113.80	113.80	141.18	123.09	149.03
							93.42	107.22	112.47	99.19	13631
Europe (1014)	104.38	+1.3	90.23	96.80	3.76	103.05	89.79	96.41	110.82	97.01	123.61
Pacific Basin (671)	160.96	+0.4	139.15	135.93	0.73	160.36	139.73	136.14	172.26		
pro-Pacific (1685)	138.34	+0.7	119.59	120.33	1.65	137.44	119.76	120.32	1 145.50	130.81	141,77
forth America (708)	107.77	-0.1	93.16	107.04	3.67	107.84	93.97	107.15	147.53	120.96	134.65
Europe Ex. UK (689)	87.13	+1.3	75.33	85.91	3.16	85.99	74.93	207.33	113.29	99.78	136.54
acific Ex. Japan (215)	125.99	+0.4	108.92	111.64	3.68	125.55	109.40	85.60	92.99	80.27	108.15
World Ex. US (1886)	137.42	+0.6	118.80	119.62	1.72			111.33	128.27	87.51	149.61
World Ex. UK (2141)	125.07	+0.3	108.12	115.37	2.14	136,55	118.98	119.61	146.49	120.26	135.33
World Ex. So. Af. (2406)	125.78	+0.4	108.73	115.44	2.14	124.67	108.63	115,45	131.77	111.77	134.36
World Ex. Japan (2010)	107.39	+0.4	92.83	103.71		125.27	109,15	115.46	132.39	113.26	135.45
					3.72	106.93	93.17	103,61	112.43	100.00	133.08
The World Index (2466)	125.69	+0.4	108.66	115.26	2.36	125.18	109.08	115.28			
							-47.04	133,25	132.38	113.37	135.66

per: Dec 31, 1986 - 100; Finland: Dec 31, 1987 - 115,037 (US \$ (méx), 90.791 (Paund Starling) and 94.94 (Local) L, The Finlancial Times, Goldstan, Sacts & Co., Wood Mackengle & Co., Ltd.1987



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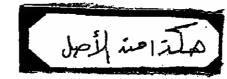
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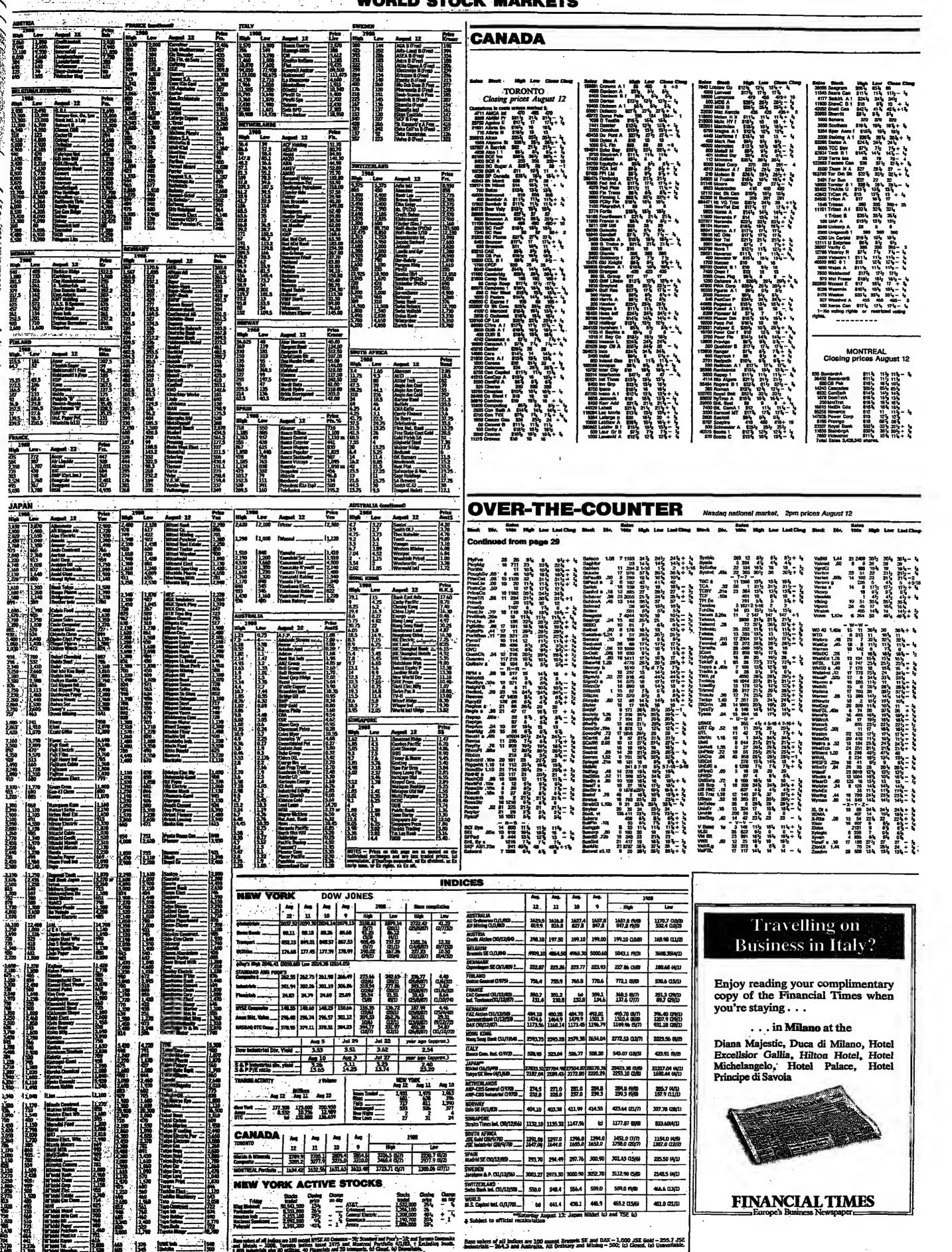
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EXCHANGE

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WORLD STOCK MARKETS



Ang 10



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301.63 (15/6)

3112,90 (5/5)

559.0 (A₁8)

465.2 (15/6)

SWITZERLAND Swiss Back Inc. (31/12/58)

Closing price 251, 261, 201, 201, 101,

550.0

548.4

438.1

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833.60(4/1)

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Stoking up the debate on brands

wenty years ago a strapped-for-cash Swed-ish engineering group sold the US rights to one of its better-known brand names to a cumbersome US conglomer ate. The consideration was reportedly modest, but given the condition of Electrolux at the time, crucial.

Both companies have since prospered. Electrolux is now the biggest appliance maker in the world and Sara Lee, called Consolidated Foods at the time of the deal, is among the cream of North American food

Last year Sara Lee decided that TV dinners and a vacuum cleaner business no longer belonged together and sold its extremely profitable Electroextremely profitable Electro-lux operation to a manage-ment team. But canny John Bryan, Sara Lee's president, hung on to the Electrolux brand name.

The Swedes tried vainly to buy it back. And there things stand: Bryan with a good hand and steady royalties, while Anders Scharp of Electrolux wonders how he can implement his programme of mak-ing a global brand of Electrolux while the name is held hostage in one of his main tar-

Should the Cadbury chocolate business remain indepen-dent long enough to fulfil its new ambitions in the European chocolate market (already overrun by Nestlé, Mars, Ferrero and Jacobs Suchard) it could find itself, like the Swedes, rueing this month's deal in which it surrendered its US business to

Contrast this move with Nestlé, which, following the \$3bn purchase of Carnation three years ago, is spending extra millions on buying back the licenses and manufactur-ing and marketing rights which had been sold or leased off around the world. "In today's global environment it is crucial that you have absolute control over your brands," says Nestlé.

This raises interesting questions over the Swiss group's ing to its latest acquisition, Rowntree, which are run in the US from the same Hershey stable as Cadbury's.

In the longer term, Cadbury's tactical switch could come to be viewed as expediency, even profligacy.

So, too, could the recent announcement from the West German sports goods com-pany, Puma, that it had sacked its walking billboards Boris Becker and Diego Maradona.

Pume has lost more than £20m in the past two years and in those same two years Becker has failed to win back his Wimbledon title.

Becker and Maradona are unlikely to have trouble finding other sponsors. But where will Puma, in an industry in which brand differentiation and the maintenance of mar-gin premiums depend largely npon personality promotion, find adequate, affordable substitutes? Retrenchment is one thing, digging one's own grave quite another.

These latest moves should help fuel the debate over brands for some time to come. It will certainly not die down as branded goods companies jockey for takeovers and the concepts of a unified European, and even a global, mar-ket-place start to gel.

Reckitt and Colman may have shelved its plan to include the value of brands such as Harpic and Steradent in its balance sheet, but GrandMet and others are still assessing similar projects. If a company of any substance does follow this track, others will probably follow.

Imperial Tobacco and United Biscuits may also have started a trend recently when each of them discontinued about 20 lesser names, the better to tend their better-known brands. Bulwark Cut Ping and Country Cookies are no more.

Meanwhile, the world awaits conclusions. All that has emerged so far is that attrac-tive brands command attractive prices. In today's confused conditions it is donbtful whether any company can arrive et a proper valuation of its brands. All that matters in the end is that the aggressors pitch a price which is "right" for shareholders in the target. It is impossible to say whether it is equally "right" for the shareholders of the bnying

THE MONDAY INTERVIEW

Business Statesman of the Troubles

Kieran Cooke meets John Hume, leader of Northern Ireland's SDLP

FOR A MAN who has lived in the midst of one of Northern Ireland's worst trouble spots over the last 20 years, John Hume is a remarkably relaxed His home in the heart of

His home in the heart of Londonderry's Bogside has been attacked nine times in the past five years. Last year, a group described by him as "headbangers" threw firebombs. Two cars have been burnt out. Yet, unlike other Northern Ireland politicians, Mr Hume has no bodyguard, nor does he carry a gun. "It would be wrong to be armed and at the same time be preaching non-violence. Any policeman that was guarding me would be murdered. I'm not worth that."
The last months have seen a

particularly gruesome catalogue of murder and mayhem in Northern Ireland, including the bombing at Enniskillen in which 11 civilians were killed. In March, after the murder of two off-duty British soldiers at an IRA funeral, television pic-tures of the killing were flashed around the world.

Yet despite the rising death toll. John Hume is more optimistic than ever about Northern Ireland's future. The 1985 Anglo-Irish agreement between the London and Dublin Gov-ernments is fundamental to a new climate of change in the province, he says.
"The agreement has mede

people sit up and face reality. It is the most significant devel-opment since 1920 (when the British set up a separate Par-liament in Belfast). To Union-ists it signifies that the ascendancy and their control over all aspects of the North's affairs is finally over. To Netionalists, both north and south of the Irish border, it brings home the message that if Irish unity is to be established, the Unionists have to be

The Agreement has also acted as e vital safety valve. "This year we've had the Stalker business, the events in Gibraltar, the cemetery shootings - a series of incidents which in the past would have led to riots. The level of street activity is nothing like 10 years ago. Instead, people are now standing What will Dublin do? What will London do?"

Mr Hume has been called the stetesman of Northern

Ireland's Tronbles. "I believe there is now a deep feeling on both sides of the community that the problems be settled. The accommodation of difference is the only basis for future peace and stability in

"Central to a solution is the relationship between the Unionists and the rest of Ireland. The Unionists have to talk to Dublin. If they did that it would all be over. It's so

Mr Hume has been called naive and branded a political opportunist. But many would admit that he has emerged from 20 years of "the Troubles" as Northern Ireland's premier politician.

PERSONAL FILE

1937 Born Londonderry. Education: St Patrick's College, Maynooth 1960 Joint founder Derry Credit Union 1967 Joint founder, Derry Housing Association 1968 Vice Chairman, Derry Citizens Action Committee 1969 Elected as independent for Foyle constituency to Stormont Assembly 1970 Founder member SDLP 1973 Elected Deputy Leader

1979 Elected to European Parliament 1979 Elected leader SDLP 1983 Elected Westminster MP for Foyle

Mr Hume is e Catholic with e small "c", emmeshed in the political and social fabric of his native Londonderry. But he also has an international per-spective. "The Irish are too incestuous, too inward looking. We cannot remain just sitting here contemplating our navels. The world is passing us by."

Mr Hume is one of Britain's best known MPs abroad. Since the late 1960s he has huilt up strong contacts with politicians in the US. At the recent Democratic Convention in Atlanta he could be seen making introductions for his less worldly Westminster col-

finished a series on Northern Ireland for French television. Elected to the European Par-liament in 1979, Mr Hume became one of its most active members. He feels the Single European Market in 1992 will have a dramatic impact on Ireland, both north and south. "Everything will change. What about the border then? There will have to be harmonisation of both parts of the island. So many of the divisions will have to go. Full integration into Europe will inevitably broaden and dilute the the Northern Ireland problem."

Mr Hume remains the quint-essential Irish politician. He revels in a chat and "the crack" (a joke or story, usually of considerable duration). He enjoys a drink. His family is central to his life. His wife Pat runs his office in Londonderry and organises what on the surface appears to be the rather disorganised life of her hus-

John Hume is the oldest of seven children, born in the poor north side of poor north side of Londonderry, or Derry as the city is always referred to by Catholics. "My father was unemployed for 20 years. We were four to a room." One branch of the family had been Presbyterians immigrants from

He started life by training for the priesthood but then turned to teaching. His first foray into the public arena came in the early 1960s when he helped found the first branch in Northern Ireland of the Credit Union, e co-operathe Credit Union, e co-opera-tive bank which pooled funds to help people with daily needs, particularly over hous-ing, "In Derry we only had a start up capital of £5. Now the Credit Union has branches throughout northern and southern Ireland and in Derry slone has 12 000 members and alone has 12,000 members and savings of £5m. The bank is in the heart of the Bogside yet has never been touched by the paramilitaries.

In the mid-1960s Mr Hume set up e firm which smoked and marketed salmon from 'Lough Foyle near Londonderry. Mr Hume still boasts that the salmon waters friend of Mr Dukakis. A former richest in Western Europe. He French teacher and a Franco-phile, Mr Hume is e familiar pean MPs at a Brussels ban-figure in France and has just quet by placing four fresh



'It would be wrong to be armed and at the same time preach non-violence'

Northern Ireland salmon on the table.

Londonderry was the setting for the start of the present "Troubles" in Northern Ireland Civil Rights marches reland. Civil Rights marches in the late 1960s, inspired in part by similar events in the US, eventually led to serious confrontations with the authorities. Catholics vented their anger about job and housing its control of the cont discrimination. Elected to the Northern Ireland Assembly in 1969 and a founder member of the Social, Democratic and Labour Party in 1970, John Hume was at the forefront of events which quickly took on national and international

He narrowly escaped death et a demonstration in Londonderry in 1971. A year later he tried to calm people after the events of "Bloody Sunday" when 13 of his constit-uents were shot dead by Brit-ish paratroopers. Despite all the killings of the last 20 years, Mr Hume feels there have been many positive achievements. Derry would not he recognised compared to 20 years ago. The housing situation has been transformed. The old political gerrymandering, used by the Unionists to cling to power, is gone. The one thing that is still there is unemploy-ment." Londonderry, which is 70 per cent Catholic, has an unemployment rate of 30 per cent. In parts of the Bogside more than 50 per cent are out

of work.
Mr Hume's constituency has Mr Hume's constituency has the highest unemployment rate in the UK. "Violence has done tremendous damage on both sides of the border. We calcu-late that it has cost the two economies £11bn. In Northern Ireland alone 39,000 jobs have

been lost.* Mr Hume, as leader of SDLP, has been bitterly criticised, particularly by Unionist politicians, for his recent talks with Sinn Fein, the IRA's political wing. "The talks will continue. wing. "The talks will columns. We cannot just remain in the trenches. I want to exhaust all possibilities. We are not engaged in negotiations with them about ceasefires or anything else, only discussions."

Mr Hume feels the IRA are symptomatic of an Irish inability to come to terms with the ity to come to terms with the

past. "We have been handed down the simplicities of the

past, among them the idea of dying for Ireland, not living for it. That's translated very quickly into killing for Ireland. The IRA are theologians, not politicians. They see themselves as keepers of the Holy Grall of Irish freedom. I say to them that when you start killing people you kill your country. If the IRA continues its campaign it will go down in history as the group that made Irish unity impossible."

More than 50 per cent of those killed in Northern Ireland in the past 20 years have been civilians, says Mr Hume. Of those, more than 60 per cent were Catholics. "The real victims of violence are our own people. Sinn Fein and the IRA say the British troops must leave. That is the road to chaos. I say that the people of Ireland must be united first. Then anything is possible."

The Unionists, says Mr Hume have never effectively stated their case. "They do have a very definite case. Yet they have never articulated it properly. They have always clung to the status quo and, up to the Anglo-Irish agreement,

Unionist intransigence. It was like the old Unionist alogan: To hell with the future, long live the past. May God in his mercy be kind to Belfast."

while Mr. Hume has often been deeply critical of Mrs Thatcher policies in Northern heland, particularly over the hunger strikes in the cerly 1980s, he feels only a strong Conservative Prime Minister could have some absent with could have gone ahead with the Anglo-Irish Agreement. "She was able to keep he

own troops in order. If the Tories had been in opposition they would never have allowed such an accommodation to take place." Mr Hume is vary fond of the word accommodation. tion. He also uses the phrase "a healing process" a great

"Both sides in Ireland have to recognise the differences that exist and come to terms with them," he says. "Unity in diversity is the key to the whole Irish question. It will take time We are in for a large. take time. We are in for e long, slow plod, not any fancy packages or supposed miracle solu-tions. Northern Ireland is not like that."

ta ngo

More haste and speed

t is a truism to state that any distance in time from the moment of e disputed event until its resolution, by whatever may be the appropri-ate legal process, is likely to leave a stain on the quality of justice ultimately edminis-

tered.
Administrators of court systems - be they judges or civil servants - are always alert to avoid the perennial charge of the law's delays. charge of the law's delays. They cautiously hasten cases on their way to a just conclusion, ever conscious of the need to safeguard the rights and interests of the parties both against over-hasty procedures or the delaying tactics of one or other of the parties. A one or other of the parties. A rush to judgment is as much an evil as delayed justice.

an evil as delayed justice.

Delays in the legal process are, however, not just those that emanate from the creaking of the rusted hinges of judicial administration. They happen at the extremities of the legal process, for which court administrators cannot, or ought not to be blamed.

Two aspects of such delayed justice were publicly exposed last week: one concerned the desire to bring offenders to court almost instantaneously

court almost instantaneously with their offences; the other concerned the High Court judge who has deferred the delivery of a judgment for an inordinate length of time.

The Home Secretary has issued guidelines to magistrates to dispense speedy justice to those who have committed public order offences. The urge is to get courts to deal with culprits engaged in hoo-liganism, vandalism, and drunkeuness within days, rather than weeks or even

months, of their crime.

Mr Hnrd thinks that the quickening of the judicial pro-cess can have an added deter-rent effect on re-offending and, at the same time, will demon-strate to like-minded potential offenders that "this sort of behaviour is not to be toler-

The civil liberties lohby has countered the proposal for swift justice by pointing to the company.

danger of miscarriages of justice. Their protestation is not just an automatic, predictable



JUSTINIAN

response. Public order offences, which by definition often involve large numbers of individuals engaged in joint and common ection, are the most notorious for producing

wrong identification.

The ability to single ont those who are actively participating in such e criminal event requires painstaking investiga-tion by the police and a prosecuting authority, and demands ample opportunity for legal representatives to advise and defend their clients. The recent spate of prosecutions of football hooligans that had to be abandoned because of dubious police investigation is an

example of the complexities.

There is a dubiety in any event about the heightened deterrent effect of speedy jus-tice. No doubt there is virtue in Quick action by the law. The sooner a naughty child receives his punishment, the more he perceives that the pen-alty fits the crime. But where it is the state inflicting the penal sanction on an offender, the impersonal and ephemeral nature of the relationship detracts severely from notions

of deterrence.

If the idea is simply to demonstrate the official desire for a quick resolution of the criminal charge against the offender, irrespective of the penalty for conviction, there is

something to be gained.

But, since the criminal process is primarily concerned with affixing criminal responsibility with a view to inflicting a penal sanction, the Home Secretary will he better directed to asking himself the question: Is the criminal jus-

of exercising social control over publicly unacceptable conduct? It is e question that leading criminologists for some time have tended to answer in the negative.
It is one of the outstanding

virtues of the English legal sys-tem that its judges do not daily over their judgments. However-long a case has taken to come to trial, there is little or no delay in the court proceeding to judgment, once the evidence has been concluded. Even in the Court of Appeal, at least two thirds of all judgments are delivered or tenament that in delivered er tempore - that is, they are handed down immediately the oral argument, short-ened by the increasing use of written brief, ends. Even when judges reserve their judgments, the average

time spent in composing them before delivery is usually four to six weeks. Occasionally, in a difficult case, the parties may have to wait three or four months; delay is invariably no more than six months. When a judge holds up his decision for more than a year, it is an occurrence of such rarriy that eyebrows are inevitably raised. eyebrows are inevitably raised. The revelation in yesterday's Observer that Mr Justice Harman, a judge of the Chancery division since 1982, has reserved his judgment in a tax case for nearly two years is astonishing. The remedy for such a state of affairs is not easy to find. The affected parties cannot go to the Court of Appeal, because there is no order of a lower court to appeal against. Judicial review, moreover, lies only against an infeover, lies only against an infe-rior court. High Court judges cannot be brought to book by

that mode of challenge. What then? Informal pressures may sometimes work. The same judge, two years ago, had similarly delayed for many months e judgment in a copyright case, to the increasing infuriation of the parties. After they had regularly complained to the judge's clerk, the latter took the matter in hand. He listed the case for independent listed the case for jndgment the following week. The judge desperately completed his judg-ment over a weekend, to every-one's relief. Clerks have their

